

Comparison of Marketing Strategies between Nike and Adidas

Xingyu Han *

NIST International School Thailand, Bangkok Thailand

* Corresponding Author Email: 27xingyuh@nist.ac.th

Abstract. The main goal of the study is to examine the causes of Adidas's comparatively slower growth and poorer market performance. Using a literature analysis approach the study will concentrate on secondary data from sources like marketing case studies financial statistics and company reports. Three primary perspectives will be used in this paper to analyze the problem: variations in branding and marketing tactics, external effects like COVID-19 and revenue trends. Adidas, despite being a globally recognized sportswear brand, has experienced slower growth and weaker market performance compared to major competitors like Nike. This study aims to explore the main reasons behind Adidas's relative underperformance. Using a literature analysis approach, the research relies on secondary data such as marketing case studies, financial reports, and industry analyses. The study examines the issue from three key points: Revenue of Adidas from 2000 to 2023, the impact of external factors such as the COVID-19 pandemic, and marketing and Advertising Strategies. Findings show that Adidas has been less aggressive in digital marketing and influencer partnerships, making it harder to attract younger consumers.

Keywords: Direct to consumer (DTC); eCommerce; supply chain.

1. Introduction

Adidas is a German global corporation brand that designs and manufactures athletic shoes, apparel, and accessories, known for its three-stripe trademark and iconic brand recognition. Adidas has radiccate from Herzogenaurach, Bavaria, Germany. It is the biggest sportswear manufacturer in Europe and the second largest globally, following Nike. The three stripes are Adidas's signature symbol. They are featured on the company's clothing and shoes, helping to make the brand easily recognizable. This simple design has become a key part of Adidas's marketing, making its products stand out and symbolizing quality and performance [1]. Although Adidas is a really well-known brand around the globe, observations and graphs show that the demands and sales (fandom) of the brand has declined significantly throughout the years. Comparing it to Nike, Adidas faces a large gap. With Nike at 9th place and Adidas behind at 42nd place in terms of global brand [2]. Adidas has faced issues with less demands and overstock (excess) in stores across the US. Adidas reported a 21% decline in sales in North America during the fourth quarter and a 16% drop for the entire year. Bjørn Gulden, the CEO of the Adidas company, stated that by selling excess inventory through outlet stores, Adidas encountered a reduce in its stock by 1.5 billion euros in 2023, marking a 24% decrease [3]. In its latest financial year Adidas's UK experienced sales decline of over £100m. Despite some positive results from its retail stores. The company headquartered in Stockport recorded a turnover of £1.15 billion in 2023, a drop from £1.23 billion in 2022. The company has gone through an £88m drop in wholesale revenue and a £37.7 million decline in online sales. However, Adidas did see an increase of £14.9m in sales through its own retail stores during the year, as reported by City AM [4]. Adidas has faced significant challenges in recent years. These significant challenges contribute to the decline in its market position and financial performance. While the company has long been synonymous with innovation, high-quality athletic wear, and strong branding, it now finds itself grappling with several issues affecting its growth. This study's main focus is on the growing disparity between Adidas and Nike particularly with regard to brand development and marketing tactics.

2. Revenue of Adidas from 2000 to 2023

Adidas, a leading global sportswear manufacturer brand, has experienced significant revenue fluctuations from 2000 to 2023, influenced by strategic decisions and intense competition, particularly from Nike. Nike, Adidas's primary competitor, has consistently maintained a strong position in the global market. The main and key stakeholders (main contributor) to Nike's success is the brand “Air Jordan”, which in 2022 alone generated \$5.1 billion in revenue. This substantial figure emphasizes the effectiveness of Nike's branding and product strategies, directly creating a significant challenge to Adidas's market share [5]. Even though Nike has been dominating in the marketing in recent years of the shoe and merchant industry, Adidas has taken several steps to improve its position in the market.

In 2005, the company released the Adidas 1 “The World's First Intelligent Shoe” (The microprocessor that is capable of performing 5 million calculations per second and also manages to automatically adjusts the shoe's cushioning based on its surroundings), the first shoe with a built-in microprocessor, showing its focus on innovation. While Adidas has previously partnered with fashion designers, such as its 2004 collaboration with Stella McCartney, these earlier efforts have had limited impact on its current competitive challenges, which helped attract a wider range of customers. Then in April 2006, Adidas revealed an 11 year contract to become the official clothing supplier for the NBA. As part of the deal, the company began producing jerseys and products for the NBA, NBDL, and WNBA, as well as team-colored "Superstar" basketball shoes. The deal, valued at more than \$400 million, replaced the previous 10-year Reebok agreement made in 2001 [1]. Adidas has struggled to regain its pre-pandemic growth momentum in recent years. Even though there were indications of recovery a number of internal and external factors have impeded its advancement. Due to issues like surplus inventory, declining demand in important markets like North America. The brand has found it more difficult to function consistently. Adidas tried to stabilize sales through strategies but these measures only temporarily addressed the company's underlying problems with operational effectiveness and brand positioning. Conversely Nike has shown more flexibility and agility in handling post pandemic difficulties. Nike accelerated its transition to digital transformation and direct to consumer engagement instead of depending entirely on traditional retail. Through this strategy it has been able to strengthen brand loyalty, improve customer experience and maintain a close relationship with its audience. Additionally Nike has strengthened its competitive edge by using storytelling and value-driven advertising to emotionally connect with consumers. The two brands' performance gaps have widened as a result of this strategic focus difference which has not only accelerated Nikes recovery but also put it in a position for sustained long-term growth.

Despite Adidas's efforts, its financial performance has been affected by external factors like global economic conditions and strong competition from rivals such as Nike. The company’s changing (decline) revenues from 2000 to 2023 show the difficulties it faces from competitors. Moreover, Adidas's success will depend on its ability to continue innovating, adapt to shifting market trends, and respond effectively to competitors. It will also importantly require the polishment in management challenges like changing consumer preferences, supply chain issues, and economic fluctuations to improve and maintain strong financial results [6].

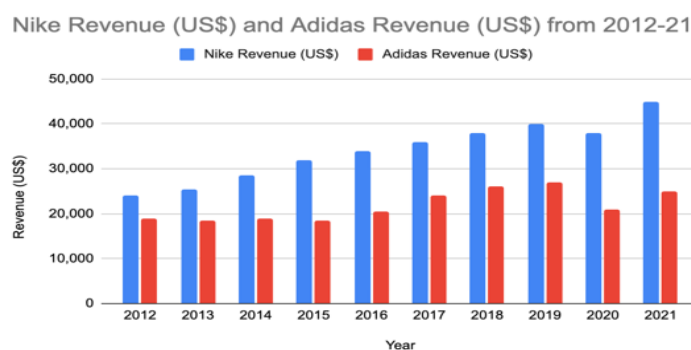


Figure 1. Nike Revenue vs Adidas Revenue from the years 2012 to 2021 (with US\$) [7].

After close observation on the bar graph below, the graph below compares the annual revenue between the two brands “Nike” & “Adidas” between the years of 2012 & 2021. Audiences can clearly see a steady inclining graph for Nike (figure 1) between the years 2012 to 2019 starting from a bit less than \$25 billion dollars (24.1 billion - the graph excluded 5 zeros behind the numbers revenue generated on the y-axis) [8]. Then in 2013, according to the graph the company generated a bit more than \$25 billion dollars, then again inclining when it reached to 2014 creating an annual revenue increases to just about \$27.8 billion, it goes on an inclining trend until reaching 2021 when the annual revenue is valued at \$39.2 billion [8]. On the other hand, looking at the bar graph, Adidas’s trend is really diverse from Nike’s trend, Adidas between 2012 and 2014 remained stable at an approximate value of \$18.8 billion and declined in 2015 [9]. In 2015, Nike’s annual revenue was almost 2 times higher than Adidas’s revenue generated annually (Nike: \$30.6, Adidas: \$18.8) [8, 9]. After 2015, the annual revenue of Adidas started to slowly incline until 2019.

Despite initiatives to diversify and innovate like introducing eye-catching new products and establishing strategic alliances, Adidas has found it difficult to continuously surpass its rivals in terms of marketing and revenue generation. These issues have been exacerbated by external factors such as shifting consumer preferences changes in the global economy and supply chain interruptions. Even though Adidas has improved its brand and created new products, it was not able to keep up with industry leaders particularly in terms of global presence and brand recognition. Adidas's future success will rely on its capacity to better comprehend market trends, foster greater client loyalty and continuously adjust to shifts in the sector. For more steady and long-term growth the business will have to overcome obstacles like fierce competition problems with the supply chain and changing customer preferences.

3. Covid Effects

In 2000, the company Adidas reported revenues of approximately €5.8 billion. The company demonstrated steady growth over the next decade, reaching €11.9 billion in 2010. This upward trend continued, with revenues peaking at €23.6 billion in 2019. However, the onset of the COVID-19 pandemic in 2020 led to a substantial decline, with revenues dropping to €18.4 billion. A partial recovery occurred in 2021, with revenues increasing to €21.2 billion, followed by a modest rise to €22.5 billion in 2022 [1]. Because of Covid 19, manufacturing and distribution facilities experienced delays and closures as a result of the pandemic, particularly in important mass production areas like China and Southeast Asia. Moreover, a further factor in the drop in sales was the slowdown in manufacturing and product availability brought on by these disruptions. The shortage of inventory combined with weakened demand made Adidas really severe in purchase rates. The company had to make difficult decisions to conserve cash and minimize losses during the height of the crisis.

For several reasons Adidas was significantly impacted by the COVID-19 pandemic. Because of the widespread lockdowns almost all Adidas retail locations, aside from those in the Asia Pacific region, were temporarily closed which drastically decreased sales opportunities. The first half of 2020 saw an incredible €3 billion in revenue loss as a result. The company was unable to offset the losses from its physical stores even though sales rose by 35%. Sales in key regions including Latin America and emerging markets declined by over 60%. Delays in the supply chain caused manufacturing and distribution to slow down and the overall decline in consumer spending further compounded the financial impact. During the first nine months of 2020 Adidas reported a €3.5 billion loss due to a steep drop in revenue. Adidas’s heavy reliance on physical retail and global supply chains made the effects of the pandemic clear even with store reopenings and a slight increase in market capitalization during the third quarter [10].

Conversely Nike's response to the COVID-19 pandemic turned out to be a favorable turning point for the business. Nike was able to weather the crisis by concentrating on its direct-to-consumer direct-to-consumer is a business plan in which companies sell their goods directly to customers - eCommerce strategy [11]. With stores closing and less people shopping in person Nike moved half

of its sales online. By doing this the company was able to better control its products and lessen its reliance on wholesale accounts which made it simpler to meet customer demand and manage production. Nike also made a concerted effort to enhance the in-store and online shopping experience for customers. For instance Nike integrated the mobile app with its House of Innovation in New York City providing services such as online product ordering and in-store pickup. Using their phones to scan QR codes customers could use the app to check product availability and even request try-ons. Despite the pandemic's negative effects on foot traffic Nike was able to maintain a close relationship with its customers by combining digital and in-store services. All things considered Nike recovered more quickly than anticipated recovering costs and positioning itself for expansion thanks to its swift transition to a digital-first strategy. Despite the challenges posed by the pandemic Nike managed to stay ahead of the curve and emerge stronger as a result of its ability to adapt [12].

Because of its slow eCommerce transition and reliance on physical stores Adidas has not responded to COVID-19 as well as competitors like Nike. The significant drop in Adidas's revenue during the first half of 2020 is one of the main reasons. As mentioned earlier almost every Adidas store outside of the Asia-Pacific area closed in the second quarter of 2020 due to the pandemic. This led to a 40 percent decline in sales in Europe and North America and a 60 percent decline in sales in emerging markets and Latin America. Despite a 35% increase in eCommerce sales Adidas was unable to offset the losses from its physical stores. Adidas also experienced severe supply chain issues particularly in major production hubs like China and Southeast Asia where delivery and production were delayed. This demonstrated that the brand struggled to supply certain products even though there was still a need for them. Conversely Nike had already shifted half of its sales to online sales prior to the pandemic refocusing on digital sales strategies [10].

Conversely Adidas took a while to make the same shift. Nike was able to better manage customer relationships and sales during the pandemic thanks to its digital transformation which included moving to smaller more individualized stores and increasing online interactions. Because of its strong reliance on physical retail locations and its delayed adoption of a digital-first strategy Adidas experienced a more substantial decline in sales after the pandemic and a slower recovery. This is clear from Adidas's staggering 2020 revenue loss which saw the company lose €3.5 billion in revenue so far this year despite a slight increase in brand value. Although Adidas made some progress in the years that followed, its initial response was less quick and efficient than that of some of its rivals [10].

To sum up, although the COVID-19 pandemic impacted both Adidas and Nike, Nike recovered more quickly because of its eCommerce strategy, devoted customer base and increased flexibility in responding to shifting consumer preferences. Adidas faced more difficulties because of its reliance on physical retail and supply chain interruptions even though it was making great progress in digital transformation. These elements helped Nike recover more quickly and expand more quickly after the pandemic.

4. Marketing and Advertising Strategies

Adidas has increased sales and enhanced brand recognition through the development of several effective marketing and advertising campaigns. Working with well-known influencers and celebrities is one of the best tactics a brand has discovered. Collaborations with Kanye West and other celebrities particularly on the Yeezy collection have increased Adidas visibility and helped them produce in demand goods that have increased sales. Athletes like Lionel Messi and fashion and music icons support Adidas in its celebrity endorsement strategy which helps the company maintain its position in the global sportswear market. In 2015, Adidas experienced a 5% rise in sales in North America and made significant gains in the secondary sneaker market, particularly from the Yeezy collection which boosted its market share of the one-billion-dollar secondary sneaker from just 1% to a stunning 30% [13]. Adidas has also embraced experiential marketing by creating captivating brand experiences. Programs that boost customer engagement and brand loyalty include pop-up stores and interactive events like the Adidas City Runs. As sustainability gains traction Adidas has been promoting

environmentally friendly products in its advertising campaigns such as shoes made from ocean plastic. Customers who care about the environment have reacted well to the brand's sustainability efforts [14]. A diversity and inclusion initiative that Adidas has funded is the She Breaks Barriers campaign which aims to empower women in sports. The implementation of this strategy has improved its reputation as an organization that prioritizes inclusivity and gender equality [13].

Adidas faced difficulties in spite of its numerous effective marketing techniques. For example the \$250 Adidas "Superfingers" sneakers which were released in partnership with AVAVAV were a failed product release due to a mistake in assessing consumer preferences. The product has not live up to Adidas' sales targets, and many customers thought the design was ugly. The dangers of depending too much on oddball partnerships without thoroughly comprehending the preferences of the target market are highlighted by this error [15]. Adidas' dependence on celebrity endorsements is not without its drawbacks though. Even though the brand's collaboration with Kanye West was successful at first, it turned into a problem when West's scandals caused the Yeezy line to be discontinued, which negatively affected Adidas' sales and reputation. The consequences of this partnership showed how risky it is to rely too much on one celebrity to boost brand value [16]. Additionally, some of Adidas' marketing has drawn criticism for being culturally insensitive. As an illustration of cultural appropriation, some people viewed the introduction of limited-edition Superstar sneakers with "H-TOWN" branding associated with RodeoHouston as a failure to sufficiently recognize or honor the design's cultural significance. These problems show how difficult it is for Adidas to make sure that its marketing tactics reflect the values and sensitivities of its target audience [17].

Nikes ability to tell compelling stories is one of the main reasons for its success on a global scale. Nikes famous "Just Do It" tagline is a prime example of how it can evoke strong feelings in its audience. The campaign has gone beyond merely promoting a product by focusing on universal themes of tenacity, self-determination and overcoming hardship. Nike offers more than just sportswear; it also promotes a way of life, a way of thinking and a feeling of community among people all over the world. These stories' emotional resonance has increased consumer engagement and brand loyalty. Adidas on the other hand frequently highlights the technical features and aspects of its equipment while concentrating more on product innovation and promotion. Adidas has had some successful marketing campaigns such as partnerships with well-known athletes or celebrities but its approach lacks the emotional nuance and narrative that Nike uses. Because of this, Adidas's messaging occasionally comes across as more transactional, emphasizing the features of the product rather than forging an emotional connection with customers. This difference in strategy reveals one of the main causes of Nikes increased market share and devoted following. This section compares Adidas's more product-focused marketing with Nikes emotional storytelling, providing insight into how each brand's strategy affects customer engagement; providing a stronger emotion of energy, motivation and empowerment [18].

5. Conclusion

Adidas's market position and financial performance have declined as a result of the many difficulties it has faced recently. Despite its long history of innovation, well-known brand and strategic alliances Adidas has struggled to maintain steady growth particularly when compared to competitors like Nike. Due to the company's slow eCommerce transition and reliance on physical retail locations which hindered its ability to quickly adapt it suffered significant losses during the COVID-19 pandemic. To sum up Adidas must diversify its marketing initiatives improve its digital strategy and adapt to changing consumer preferences in order to regain its competitive advantage. The company can position itself for more sustainable long-term growth by keeping up its innovation and learning. Conversely Nike was able to swiftly recover and even grow thanks to its early shift to a digital-first strategy and direct-to-consumer sales model. Adidas has also made progress through successful marketing campaigns and partnerships with athletes and celebrities but it has also had

setbacks including contentious product launches and a reliance on high-profile alliances that have occasionally backfired. These blunders highlight how difficult it is to navigate contemporary marketing where brand associations, cultural sensitivities and consumer preferences are crucial factors. To sum up, in order to regain its competitive edge Adidas must diversify its marketing initiatives, improve its digital strategy and adapt to changing consumer preferences. The business can set itself up for longer-term more sustainable growth by keeping up its innovation and studying its rivals. This study is important because it gives brand managers, business strategists and marketing expert's insights into the difficulties Adidas is having regaining its competitive advantage. Strategic choices about digital transformation and customer engagement can be influenced by the findings. The study's dependence on publicly accessible data which might not adequately capture the subtleties of Adidas internal decision-making procedures is one of its drawbacks. Future studies could examine how changing digital marketing tactics affect brand loyalty or go more deeply into consumer perceptions of Adidas's product innovations and partnerships.

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