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## Sportswear-makers The adidas method

**A German firm's unusual approach to designing its products**

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TEN years ago sportswear-makers were cramming ever more features and futuristic designs into their products. They were convinced that the consumer bought, say, training shoes based on their technical specifications. But in 2004 James Carnes, today adidas's creative director for sportswear, and a Danish consultant named Mikkel Rasmussen met at a conference in Oslo at which Mr Rasmussen challenged this notion. A mobile phone, he said, may have 72 functions, but that is 50 more than most people wanted, or used.



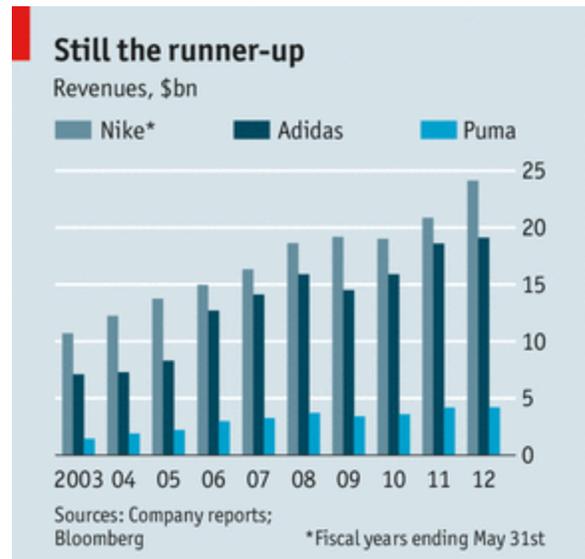
A Stella success

Mr Carnes was intrigued, and so began an almost decade-long engagement for ReD, the small consultancy Mr Rasmussen co-founded in Copenhagen. In that decade adidas's sales and share price have grown steadily, alongside those of Nike, an American firm that is the global leader in sportswear (see chart). It remains far ahead of Puma, its crosstown rival. The two German firms, based in Herzogenaurach in Bavaria, were founded by brothers, Adi Dassler (hence adidas's name) and the older Rudolf (Puma), who fell out.

Nike's brash marketing is based on offering big cheques to star athletes to endorse its

products. Puma spends an even greater share of its revenues on marketing, and has pushed into non-sporting casual clothes. Its sales have grown, but they remain far behind its main rivals'. Adidas takes a quieter approach, spending less of its revenues on marketing than the other two. Although about a third of adidas's sales are also "lifestyle" goods, sportswear remains at the firm's core.

To succeed in a business with tight margins, adidas has had to get the nuts and bolts right. Like its rivals it has outsourced production to cut costs, for example. But with ReD's help it has also made handsome stuff that American rappers mention in their lyrics, and it now has prominent designers offering to co-operate on projects. Mr Carnes gives generous credit to the geeks at ReD, saying that they have had "a general effect on everything".



ReD has some curious methods. It hires ex-academics, largely anthropologists and ethnologists, to study customers' motivations intimately. ReD trained a group of adidas design staff in basic techniques, and sent each of them to spend 24 hours with a customer: to have breakfast, run and do yoga with them, and find out what made them exercise. In a related project, an anthropology doctoral student working for ReD mailed dozens of customers a disposable camera, asking them to photograph something that made them work out. Of 30 women who responded, 25 sent a picture of a little black dress, says Mr Carnes. The company had assumed that most customers were training to be good at specific sports; in fact for many, fitness itself was their "sport".

Spending weeks with both the professional and amateur divisions of Bayern Munich football club, ReD's researchers asked not how long the studs on their boots should be, but what would determine the success of a footballer in ten years' time. They learned that top European clubs had all become proficient at teaching the necessary skills. The thing that could not be taught, and could only to a small extent be trained, was speed. So adidas adapted one of its track shoes into an exceptionally light football boot. When released in 2010 it became an instant hit—and it scored far and away the most goals in that year's World Cup.

Intimate study of customers has influenced aesthetic design too. Adidas got the job of creating the host country's uniforms for last year's London Olympics. ReD found that for all their patriotism, Brits did not get terribly moved by traditional images like the monarchy and

double-decker buses. So adidas and ReD told Stella McCartney, their chosen designer (pictured, centre), to think “untraditionally British”. She made a splash by putting the Union Jack’s red only on shoes, socks and trim, while making elements of the flag so big that on some shirts they were unrecognisable. Despite some initial criticism it was a commercial hit.

Similar research into national identity is going into next year’s football World Cup uniforms. When Russians were interviewed about what made them proud, “nothing past 1970 ever came up,” says Mr Carnes. Instead they mentioned Dostoevsky, the second world war and winning the race into space. So Russia’s uniforms will feature a curve representing Yuri Gagarin’s view from orbit.

Adidas has set an ambitious €2 billion (\$2.7 billion) sales target for its football division alone in 2014, up from €1.5 billion in 2010, the last World Cup year. Overall, the company wants €17 billion in sales by 2015, at the same time increasing operating-profit margins to 11% (from 8% now). Zany as some of its methods sound, equity analysts seem convinced that they will continue to pay off. In a recent poll of 34 analysts by Reuters news agency, none recommended selling the shares, and 25 labelled them as “buy” or “outperform”.

Adidas’s 2006 takeover of Reebok, another sportswear firm, was a rare misstep. It has taken far longer than expected to turn around. The main risk adidas faces, says Erwan Rambourg, an analyst at HSBC, is that its heavy spending to gain market share in America and China does not pay off. A strengthening euro is another. But adidas’s many admirers believe that the company’s disciplined habits, and its novel approach to product research, should help it leap over any such hurdles.

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