

Research on Footwear Industry Marketing Strategy in Artificial Intelligence Era

——Take Adidas as Example

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Abstract: AI has been used in a variety of industries to help brand to enhance brand construction and marketing. But confused by the AI's powerful analysis and collection ability, the brand easily ignores the center of marketing: the customer. It's necessary to consider the role of AI in digital marketing. Adidas is a typical case that gets into the marketing trouble, makes a wrong orientation, and then makes an unsuitable digital marketing strategy. Simply attribution model leads Adidas to over-focus on superficial financial data; sub-brand provides Adidas' mAI in financial profits, slighting of greater china market. These factors led to Adidas suffering a revenue decline in the last three years. Adidas should quickly adjust its value orientation, keeping the customer orientation all the time, changing its influencer strategy, inviting more sporters as sub-brand spokesmen or brand owners, and enhancing the investment in Greater China. A little negligence in digital marketing will result in the brand being on the AI era's skids.

Keywords: AI, influencer strategy, customer orientation, sub-brand

1. Introduction

1.1. Research Background

Artificial intelligence (AI) has experienced unbelievable development, which has evolved from Christopher Strachey's artificial intelligence draughts player to intelligent communication robot Chatgpt which is researched by an Open AI company and causing intense discussion by the public recently. Chatgpt, as the center of discussion, has become the fastest-growing APP on the internet; it made a amazing achievement and accumulated 1 million users in five days [1]. Except for Chatgpt, the scale of relevant industries is growing rapidly; the whole AI market income increased 19.6% to 443 billion dollars in 2022 and will reach 526 billion dollars in 2025 by prediction [2]. Many countries make great efforts to support the AI industry's comprehensive, innovative, sustainable development and enact policies to supervise the AI industry not on a crooked road, like Korean publish 'National Strategy for artificial Intelligence' to develop ai industry and wish to create 455 trillion Korean won in 2030 [2]. Besides the country vigorously developing AI, a key time node about AI blooming is the covid-19 outbreak. A pandemic outbreak that contributed to the long period of isolation seriously

affected the company's operation and profits worldwide in 2020. A number of business leaders realized the necessity of AI and put money into AI research and development in order to capture market share and help the company out of the red as soon as possible.

However, a few months ago, a group of tech giants, such as the world's richest man, Elon Reeve Musk, and the Winner of the Turing Award, Yoshua Bengio, argued that AI has a potential threat to humanity and society in the present development stage and hope public can think more rationally about AI. They consider that the AI industry falls into a barbaric growth; the research specialist staff create and upgrade AI without purpose, and the whole trade feels like involving 'the arms race'. Musk appeals to everyone to stop training AI systems stronger than GPT-4 for at least half a year, preventing immature AI systems from causing ethical and societal problems [3]. But someone is opposed to this negative point, like Mark Elliot Zuckerberg, the founder, and CEO of Facebook; he thinks AI is the future and only by embracing AI that enterprise can get powerful, grow, and survive in the future. So, Zuckerberg changed Facebook to Meta at the Facebook Connect on October 28, 2021, and he showed the world his determination to enter the Metaverse and his attitude toward supporting the development of the AI industry [4].

But one thing is certain, the advent of AI has changed how people live in many aspects, especially in digital marketing. An AI agency surveyed 2700 people from different occupations, and more than half of people have marketing working experience; they found that 61.4% of people represented they had cooperated with AI tools during marketing. Additionally, 44.4% of people who had used AI in their marketing applied AI to content production because they think AI offers a more convenient and accurate content production way than traditional manpower mode [1]. The rise of AI is driving the digital marketing process for brands, and diversified digital marketing methods are beginning to emerge, such as non-fungible tokens (NFT) marketing, Metaverse marketing, and AI marketing strategy. Businesses can give more outstanding customer satisfaction levels and intimate customer relationships through the interactivity and mobility of these tools [5].

It can be seen that, affected by the epidemic, the economy is in a slow recovery stage, so it's important to master digital marketing. Because the AI, the power and difficulty of digital marketing have greatly increased. If a brand blindly promotes digital marketing, the result is far from satisfactory.

1.2. Literature Review

Qinyue Wu put forward that diverse AI combinations such as mechanical AI, sensory AI, and thinking AI can finish the whole digital marketing process at low cost and high quality [6]. Kok-Lim Alvin Yau supposes traditional digital marketing methods are unable to cover all of the customer's touchpoints and unsatisfied customer relationship development in this age, so brands need AI to bridge the gap in marketing [7].

Adidas is one of the biggest sports brands in the world; it was established in Germany in 1949 by the Dassler brothers, and its market capitalization has reached 30 billion euros recently. As a sports giant, Adidas devoted itself to being the world's first sports brand and carried out its digital marketing a few years ago. In 2017, Kasper Rorsted, when he was CEO of Adidas showed that digital affect the whole company journey through designing to selling [8]. Besides that, Adidas launched an online queuing app to sell limited edition sneakers and digital collections. Adidas has put a lot of effort into digital marketing, but the market share of Adidas has gradually decreased, far behind Nike. People commonly speculate the reason for Adidas's decline is lacking innovation, but this article will analyze the plight and weakness of Adidas from the perspective of digital marketing.

1.3. Research Framework

This article will deeply research Adidas's digital marketing strategy and find the root cause of Adidas's enervation, providing appropriate solutions and measures. Furthermore, this research will help the public understand the importance of digital marketing for brands in the age of AI.

2. Case Description

In 2019, Adidas global media director Simon Peel said that Adidas over-invested in digital marketing and fixed its mind on Last-Click Model, which considers the last-click to play a crucial role in generating sales volume in digital marketing. And that leads Adidas excessively pursues efficiency over effectiveness and ignore influence factors in the entire purchase phase. According to Les Binet and Peter Field's research data, the advertising budget split between 60:40 into brand and performance greatly benefits the brand. However, Adidas's advertising split was 23% into the brand and 77% into performance. Under the huge marketing expenditure of Adidas, even if only twenty percent of the error, the loss will be very serious. Simon Peel said, "The reason for that is short-termism because we are trying to grow sales very quickly". As a super-listed company, Adidas needs to be responsible for the profits of the company's shareholders, which will inevitably make short-sighted marketing behavior; the company didn't pay attention to the effectiveness and consumer orientation but put the budget on new feeds advertising, CPM (Cost Per Mille) and other measurable short-term indicators [9].

In addition, the sports footwear industry experienced a short supply chain and sluggish customer demand of covid-19 in 2020, and many brick-and-mortar stores and factories had to close down. This situation contributed to a 13.95% value loss in the Sporting Production market, from €301 billion in 2019 to €259 billion in 2020 [10]. So, Adidas declared its new development strategy, 'Own the Game' in 2021, which helps Adidas proceed with digital transformation and Adidas expected to return the original marketing share before the pandemic. But the result was less than unsatisfactory. In 2022, there was only 1% revenue growth in the market, and Adidas even suffered a 36% decline compared to the last year in greater China. Due to the supply chain cost and discount increase, Adidas' GPM (Gross Profit Margin) has decreased to 47.3%, and then the operating margin decreased to 3% [11].

And to add insult to injury, Adidas suspended cooperation with the popular brand Yeezy, which is Adidas that cooperated with a famous rapper and record producer, Kanye West, in October 2022. The reason is that Adidas can't tolerate Kanye West making offensive and anti-Semitic comments online. As the main force of Adidas contented against Nike, Yeezy created a lot of brand revenue in the past. If Adidas blocked the inventory of Yeezy, there would be 500 million euros efficiency which would seriously hinder the Adidas renaissance plan. In fact, not only Yeezy's stock damaged Adidas recently, but Beyonce's "Ivy Park" sub-brand didn't have anticipated revenue in 2022. For Adidas, they will face the difficult of Yeezy stock cause by the kanye west in 2023 and it will hard for the whole company.

3. Analysis of Problem

3.1. Short-Sighted Marketing

According to the research, customer purchase decision has experienced great innovation, and the traditional digital marketing channel usually consider the customer purchase phase as a "funnel"; the customer depends on previous brand image to consider a range of brands and shrink the consideration range as a "funnel" until the final purchase. In this decision model, brand marketers need put effort into the whole process and analysis the most crucial part. In fact, the decision-making phase is a more circular journey, and it consists of four main stages: initial consideration, active evaluation, moment

of purchase, and postpurchase experience, respectively. With the increasing complexity of the consumer decision journey, companies need to use new methods to evaluate consumer attitudes, brand performance, and the effectiveness of marketing expenditures in the whole process. This realignment can help the brand avoid wasting the budget and put money in the right place. Besides that, if the brand doesn't adjust the digital marketing model properly, the marketer will probably be out of touch and deviate from the core; they will focus on the business data like the sales volume, reach rate, and Cost Per Click (CPC) and slight the brand construction [12]. That's what Simon Peel talks about short-sighted marketing.

Adidas executed the last-click model and tried Multi-Touch Attribution (MTA) analysis in 2019. MTA is an advanced e-commerce model which can analyze the different platform touchpoints, covering the entire decision journey; it helps marketers improve their channel combination budget. Although MTA is more comprehensive and rational than the last-click model, MTA also has deficient parts. MTA owes too much credit to digital advertising and didn't consider offline touchpoints. It's difficult to merge verse devices' touchpoints into one person; MTA focuses on efficiency instead of brand construction and effectiveness [13].

Simon Peel also said that with 60% of revenue from first-time buyers, Adidas has been striving for CRM (customer relationship management) to mAIntAIn brand loyal customers [9]. So, it can be seen that customers usually buy Adidas one shoe at a time. And the goal of Adidas is to promise profits to shareholders; in order to complete that goal, Adidas greatly regards the net income position and earnings per share (EPS) in their annual financial report [11].

3.2. Over-Reliance on Sub-Brand

As a super sports brand, Adidas has built many famous sub-brands in the past. The public well knows Yeezy, Y-3, and Adidas Originals. These maturities sub-brands help Adidas occupy the marketing in which Adidas is not suitably participating, or it is too risky for Adidas like y-3 is operated by Yohji Yamamoto, focusing on the haute couture and high-end marketing. They enhance the awareness of Adidas in different fields. Especially Yeezy, depending on the owner and founder, Kanye West, Yeezy created 40% profits to Adidas profits every year; even though it only covers 4%-8% of Adidas' yearly revenue, Yeezy has been the main reason Adidas revenue kept rising in recent years. Adidas performs like over-reliance on sub-brand profits [14]. Unfortunately, only a few sub-brands ought the earing to Adidas; the other brands just performed tepidly; Adidas finally terminated their relationship with them, like Beyonce's "Ivy Park".

With the development of the digital platform as Instagram, TikTok, and YouTube, the influence of influencers has increased greatly. Influencers have become more useful endorsers than superstars on the internet, and influencers can connect with billions of people globally through their reputation on the digital platform. In 2022, fashion brands increase billions in revenue through influencer marketing. Supervision became more strict in the train of the situation; anything endorser's negative news would push the brand in the eye of the storm, and management would have more difficulty.

The serious Yeezy stock crisis triggered by Kanye West makes the inappropriate views on Jewish faith and serious rabid and aggressive behaviors Adidas's dependence degree on Yeezy beyond the public's imagination.

It is estimated that Adidas will lose more than 700 million dollars, its first annual loss in 2023. There is an urgent and severe dilemma that needs Adidas to deal with [14].

3.3. Great China Plight

Benefiting from the supporting policies about sport industry and increasing public engagement level, the Chinese sports clothing and footwear industry expanded quickly; the market size reached 385.8

billion yuan and will probably have 598.9 billion yuan in 2025. The mass enthusiasm for sports is also a core part of the development of the sports industry. According to the research, the Chinese sports consumption market will reach 1.5 trillion yuan in 2022. China has 140 million basketball players, 250 million badminton players, and 100 million table tennis players. It can be seen that China's sports market is a huge and promising place; it is in the growth stage. So great China has become a significant strategic position for every sport brand, slighting it is an unwise behavior [15].

But Adidas underwent a seven-quarters revenue decline in Great China; net sales in great china decreased by 36% to € 3,179 million in 2022, and gross margin also decreased by 5.1 percentage points to 46.7% from 51.8% in 2021. Operating profit in Greater China decreased by 73% to € 322 million versus € 1,194 million in 2021. Operating margin decreased 15.8 percentage points to 10.1% from 26.0% in 2021. Overall, Adidas mess up the Great China market in the past two years [13].

In Adidas' annual report, Adidas attributed declining to the pandemic isolation, expensive supply chain cost, and over-high discount. Beyond that, domestic brand innovation dominated the huge native market, and Chinese domestic consciousness began to awaken. More and more Chinese people favored domestic brands like Lining, Anta, and Hongxing Erke. In 2021, Anta's turnover closed to the adidas; Anta's turnover was 49.33 billion yuan, profit attributable to shareholders was 7.72 billion yuan [16]. The most crucial turning point is the Adidas boycott of using Xinjiang cotton and forbidding fabric suppliers from purchasing raw materials from the Xinjiang region. This attitude results in the Chinese people collectively resisting Adidas goods, and Adidas' revenue drops dramatically in Great China.

Losing the greater China market share seriously hinders the development of Adidas and its ability to compete with Nike.

4. Suggestion

4.1. Focus on the Brand Construction and Rebuild Customer-Orientation Proposition

The new circle customer decision journey gives the brand more possibility to get into the last purchasing range even didn't in the initial consideration. Brand influence is no longer limited to a certAIn stage; excellent brand influence will act on the whole process. Marketers need to add brand touchpoints at the appropriate time and maximize brand influence. Besides that, customers play a more important role than marketers in the new decision journey; every brand should know about the priority of customer-driven marketing. Only a third of touch points are related to company-driven marketing; two thirds of touch points have a bearing on the customer-driven; people prefer to refer to online comments and word-of-mouth recommendations from friends and family.

Therefore, the brand can depend on AI's formidable operational capability, sorting the customer data in every stage to improve customer experience and enhance brand influence. According to Qinyue Wu, a combination of AI can manage and analyze customers' attitude and touch points; different types of AI have respective functions. Brand should connect every purchase decision stage and find suitable points to advertise based on the customer data from AI. At the same time, the ability of mechanical AI is not restricted to collecting observable data; it can predict the appropriate good collection in the new market, which means that the brand can formulate the strategy in advance and run forward the competitors [6].

Finally, the customer experience also should be guaranteed in the digital era, collecting the customer's feedback and suggestion by AI and searching the product or service shortages. Customers spontaneously broadcast the brand is more useful than company advertising in the digital era.

4.2. Changing Influencer Strategy

Fashion icons endorse brands in different areas are becoming increasingly common, and it feels like an unstoppable wave making all brands simulate each other. Although fashion icons influence all industries and can cooperate with them, and fashion icon fans are willing to spend money on the endorsement, Adidas should invite more athletes than trendsetter hipsters blindly. Because Adidas is a good sports company and its target audience is mainly sports fans, it will probably bring short-time profits if Adidas chooses trendsetter hipster as its advertising spokesperson or brand celebrity, such as Beyonce “Ivy Park” and Bad Bunny. But this strategy will lose millions of loyal customers, which Adidas has hardly accumulated since its establishment to the present, that’s more hassle than it’s worth. Spending money on endorsing professional athletes is a wise strategy; it will reinforce the brand image and reputation in the target market.

In addition, Adidas can invite more micro-influencer to promote the brand, especially Instagram influencers. Instagram influencers are considered more similar to common people; they have higher interaction and are more effective in vibrating with their fans [17]. And customer thinks micro-influencer is more trustworthy than superstar or celebrity; they will consider traditional celebrities trying to use their reputation and fame to persuade customers and obtain money. So micro-influencer is more suitable for advertising goods, and the cost of micro-influencer endorsing is also cheaper than traditional celebrity [18].

Adidas can use AI to find suitable micro-influencer promoting products on that theory basis. AI effectively finds and estimates micro-influencer among millions online by analyzing the reaction and attitudes of customers facing advertisement posts by micro-influencer and observing the customer engagement rate. The micro-influencer finds that AI more matching the digital marketing requirement, and AI can provide significant effectiveness and profits for Adidas influencer marketing [18].

4.3. Greater China Prosperity

In order to recover the great China market share, a simple apology from Adidas is not enough. Adidas can cooperate with native Chinese brands, inviting domestic designers or studios to participate in product design. The popular product can be sold worldwide in limited editions by publishing great China edition product designs from the Chinese group. Domestic designers and Chinese limited editions are easy to active Chinese people’s purchasing desires. It is a positive signal posting from Adidas, showing Adidas gives importance to Great China and a modest attitude; this attitude is good for obtaining customer respect for Great China.

Another saving strategy is holding more meaningful activities in China, reactivating Chinese customers’ views. There was a successful business activity recently, it was the Argentina national football squad playing a friendly with Australia in China. Because Argentina just won the 2022 FIFA World Cup and Messi won the Best FIFA Men’s Player, the popularity of this campaign is never known before and never occurred again. That campaign helps Adidas back to the view of Chinese customers. Adidas should plan and investigate -traffic activity following the hot event, depending on the situation in China to hold activity. When Adidas authentically knows about the Chinese customer’s demand and culture, a successful campaign in China will take place.

5. Conclusion

AI has greatly influenced digital marketing and brand construction in recent years; the brand should adjust its strategy to maintain competition in its areas. But Adidas didn’t promptly change its position and goals and went through a tough time from 2019 to 2022.

Adidas pays too much attention and wastes a lot of budget on advertising data, like CPM, and CPC, ignoring the necessity of brand construction and advertising effectiveness in digital marketing. Adidas

over-purses the superficial data and makes a wrong decision to choose a simple attribution model. Adidas should return the strategic center of gravity to the customer and brand construction through AI's collection and analysis function. Yeezy, an Adidas sub-brand, has created more than 40% profits since it was established by Kanye West in 2019. Adidas overly depends on Yeezy's profits, and it had a serious stock crisis after Kanye West made some inappropriate views on the Jewish faith. The athlete is more suitable to be the brand spokesman or brand owner of Adidas. Customers trust micro-influencers more than superstars; they think micro-influencers have many similarities. The last straw is misjudging the importance of greater China. Chinese domestic brand loots market shares further by innovation, and Adidas suffered severe revenue decreases in the greater China region. Adidas needs to regain greater China customer acceptance firstly, setting Chinese native designer group and organizing meaningful activities which can get discussion and turn into a pop topic.

When AI has heavy engagement and data collection ability in digital marketing, footwear brands become insensitive about the advertising effectiveness, they pay attention to data from AI in e-commerce, but it's not a reasonable evaluation model for brand development. In the age of AI, sports brands should maintain the customer orientation than before, customers guide the marketer to marketing. In conclusion, Adidas shows the necessity of adjusting suitable strategies during the digital marketing environment changing with AI. Customer orientation is a core concept that any sports brand can't ignore in the AI era.

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