

Adidas Group

Faced with eroding market share, sporting goods giant Adidas turned to Lochridge to remove roadblocks from its current product development process and turn around the company's declining business.

SITUATION

When competitors Nike and Reebok emerged, their fashion-orientated, frequent innovation approach to the market, along with a highly outsourced operating model, quickly began to eat away at Adidas' market dominance. The rules of the industry had changed—innovative designs and speed to market were must-haves for Adidas to compete.

A world-renowned consulting firm had been brought in to reengineer the company's product development process, which was plagued by excessively long lead times, missed deadlines and a large, duplicative, constantly-changing product range. The firm's recommendations, while theoretically elegant, proved much too complicated to implement despite a huge increase in dedicated staff. Following the sale of the company the new CEO asked Lochridge to help him remove the roadblocks that were preventing the business from growing.

UNLOCKING THE VALUE

Lochridge quickly identified the major issues with the current design environment and worked alongside Adidas employees to redesign the product development process from initial concept through sell-in. Lochridge recommended avoiding a theoretical, off-line approach, suggesting instead that the process be redesigned within a "live" environment while the next collection was being developed.

Two of the ten major product lines were selected. Radically different in market focus and operating complexity, success with these business units would facilitate adoption of the new development process by the remaining categories. While analysis uncovered several overarching issues to address, the "live" approach enabled the process to be tailored to

accommodate different market constraints and demands, enabling each business unit to operate most efficiently and significantly reduce bottlenecks.

To improve collaboration and expedite the design process, team members from category leader to pattern makers and sourcing were moved out of their functional habitats into new, open door offices. Product teams were formed with a common category focus, to supervise the process from beginning to end. Marketing and sales people were integrated into the team with monthly, multi-day review sessions. In addition, the new cross-function, multi-country teams agreed that once the product line was finalized no changes would be allowed.

RESULTS

Working alongside the two dedicated, cross-functional teams through two development cycles, Lochridge stabilized the process, eliminated waste and reduced cycle time. In addition to achieving a more strategically focused product range, the company saw both higher sales and substantial savings, including a 30% reduction in SKUs at the start of the development process, and a 70% drop in the number of prototypes per model. The process was immediately rolled out to the additional eight categories.

Five years after the project's end, Adidas was back in the driver's seat. Lochridge continues to be credited for turning around the product development process and unlocking value trapped within the company's existing platform. Adidas today has revenues approaching \$15B and a market capitalization of \$13B.



LOCHRIDGE & COMPANY

396 Washington Street
Suite 394
Wellesley, MA 02481
+1.617.267.5959
www.lochridge.com