Adidas announces Peloton partnership along with other profit-driving plans

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German sports giant Adidas aims to double its e-commerce sales by 2025 and make its products more sustainable as part of a five-year plan to lift profitability closer to that of rival Nike.

Like rivals Puma and Nike, Adidas will put a bigger focus on the women’s market, announcing a partnership with Peloton, which has seen a surge of subscribers during the pandemic for its on-demand workout programs on exercise bikes.

No details were available when it announced the deal but it promised to “surprise and delight our highly engaged communities by multiplying the power of both brands in a number of exciting ways”.

Adidas is targeting online sales of up to €9 billion ($10.7 billion) a year by 2025 with an operating profit margin of 12-14%, up from the 11.3% achieved in 2019 before the coronavirus crisis knocked sales and profitability.

The company has reopened 95% of its stores after coronavirus lockdowns, and it has forecast a 2021 sales growth rate in the mid-to-high teens, rising to as much as 30% in greater China, the rest of Asia and Latin America.

While the sporting goods industry has suffered from store closures during the Covid-19 pandemic, it has managed to sell more online as more people have taken up running, hiking and yoga during lockdowns.

Nike, the world’s biggest sportswear brand, has said people have logged on to its workout and store apps en masse, driving significantly higher online sales over the past year.

Adidas will invest more than €1 billion in its digital transformation by 2025, including making its supply chain more agile to better deliver online orders quickly.
CEO Kasper Rorsted said e-commerce would account for more than 40% of the industry's sales by 2025, with online growing three times faster than offline. Adidas has already attracted more than 150 million members to its online programme.

It will also spend €1 billion more in 2025 compared to 2021 on the brand, including on marketing and sponsorship as it launches sports-inspired lifestyle products, alongside its existing performance and Originals fashion categories.

Like rivals Puma and Nike, Adidas will put a bigger focus on the women’s market and the Peloton link-up could be key here.

It also aims to make nine out of 10 products more sustainable by 2025, using more recycled and biodegradable materials, with its Stan Smith tennis shoe leading the way with a version made of mushroom-based leather substitute set to launch later in 2021.

Rorsted said more than 70% of consumers say sustainability is an important consideration when making a purchase.

With greater China set to be its fastest growth market, Adidas will now manage the region separately from the rest of Asia.

Adidas expects a hit of about €250 million to operating profit from costs to make its struggling Reebok brand a standalone company as it prepares to sell or spin-off the business, with a third of that in 2022 but none in 2023.