Adidas buys Reebok to beat Nike

IN 1997, Adidas stumbled in its deal-making, when it squandered $1.4 billion on Salomon, a French maker of ski- and golf-equipment. In May, it sold Salomon for $625m. Yet the German maker of sports shoes does not give up easily. On August 3rd, it said it will buy Reebok, an American rival, for €3.1 billion ($3.8 billion). If all goes to plan, this joining of the industry's numbers two and three will enable them to mount a serious challenge to the now undisputed leader, Nike.

Now with 35% of the market, Nike has dominated the industry for years. It is the hippest of sneaker makers, using Michael Jordan, Tiger Woods and other sports celebrities with global appeal to market its brand. With its solid, but more pedestrian, reputation Adidas has won 15% of the market. Reebok, in third place, has long tried (not terribly effectively) to outcool Nike, not least in its trainers for women.

Being bigger should help Adidas in price negotiations with manufacturers in Asia, and in negotiations about shelf space and other sales issues with retailers in America. Reebok's main attraction is its 12% share of the market in America, where it also has deals to supply all the major sports leagues. "They are strong in America, we are strong in Asia and Europe," says Herbert Hainer, the boss of Adidas.

Yet most analysts are sceptical about the deal. Adidas is buying a firm with lower profit margins, lower returns and a tired image. In February, hoping to attract younger buyers, Reebok launched a marketing campaign ("I am what I am") using pitches by celebrity entertainers and athletes. One ad, featuring "50 Cent", a controversial rapper, was pulled in March amid complaints that it glorified gun violence.