



**Strategic examination regarding current
and future investment potential**

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□ Introduction

The topic is “A Strategic Analysis of the Company PUMA AG, the Structure, Financials and Business Environment of this company and some investment recommendations will be given

In the first part of the research, a description of the Industry, History and Structure of PUMA and its Brand will be looked at. In addition, we will look “inside PUMA” to tell more about staff, worldwide divisions and sourcing. Next, some information about Investors Relations and General Economic conditions will be shown to try to give a clearer picture of how the company is doing in the market.

The history of Puma is the history of inventions and product innovations. It began in the 1920s when two brothers-Adolf (Adi) and Rudolf Dassler-started a shoe making business in the Bavarian village Herzogenaurach. However, in some time, they began disagreeing with each other, and finally

in mid1940s Rudolf left his brother and set up a rival retail shop across the river.

In 1948 he registered his new company, Puma. This year was also a starting point of introduction and production of the first Puma's football shoe-ATOM. In the year, 1949 Puma started producing first football shoes with screw-in studs, which has not lost its actuality up to present times.

In 1952 Josef Barthel of Luxembourg wins Puma's 1st Olympic gold (1500 m) in Helsinki. In the year 1986 Puma Company goes public and its stock is traded on the Munich and Frankfurt stock exchanges.

In 1993 Jochen Zeitz was appointed CEO and chairman of the Board of Management of Puma. At the age of 30 Zeitz became the youngest chairman in German history to head a company listed on the German Stock Exchange. In 1998 Puma, as the 1st sport brand, merges sports and fashion.

Nowadays, Puma is one of the world's largest providers of athletic footwear, apparel and accessories. The company is keeping its attention on fashion. Since 1998, the company has been entering a large number of co-operations with well-known designers, and has partnerships with such famous brands as Ferrari, BMW and others.

In 2007 PPR Group, a multinational holding company becomes the main shareholder of Puma. In present days, Puma Company distributes its products in more than 120 countries of the world. Several years ago, Puma has become the official sponsor of FIFA World Club. Puma is also trying to explore and penetrate new markets. For example, they are focusing their attention on African countries, which are the potential future market for the company.

Corporate Strategy:

From the current perspective, based on the strategic objectives and related expansion targets, the long-term potential of the company is estimated to be

€ 4 billion in sales. This long-term strategic objective is to be achieved through:

- Expansion of product categories
- Regional expansion
- Expansion with non-PUMA brands

Corporate Values

Pumas Corporate Values are known as the 4Keys: Fair, Honest, Positive and Creative. These are linked to their “Puma Vision” CSR initiative which I will touch upon in a minute.

Brand Strategy

In 2008 marked PUMA’s 60th anniversary – They invested in several major brand initiatives in order to take advantage of the opportunities provided by the year’s highly visible sports events, namely: African Cup of Nations, EURO 2008, Olympic Games in Beijing and the Volvo Ocean Race.

Through this they:

- successfully enhanced their credibility as a performance brand
- Grew their Sport Fashion business by expanding new collaborations with renowned fashion labels aimed at increasing trend-setting and sophisticated sportlifestyle collections

In the future, their major brand strategy objectives are to:

- Invest in major global sports events as well as design-forward initiatives
- generating high brand visibility for PUMA that will help us to
- maintain their industry-leading desirability and profitability

PUMA Brands

- Star designer: sport fashion products aimed at design, comfort and functionality.
- The Dassler collection is provocative and modern, going back to the origin of sports with association to founder of PUMA, Rudolf Dassler
- Yashuhiro Mihara a Japanese designer. Her aiming at fusing sport and fashion with innovative creations

- PUMA - The Black Label footwear is an authentic sport-fashion collection featuring modern interpretations of PUMA iconic sneakers
- Tretorn takes inspiration from its Scandinavian roots through collection of leisure shoes, rubber boots and tennis balls.

PUMA PRODUCT RANGE

Wide product range covering many differential markets.

Newest notable product placements in markets of Golf, Sailing and Fragrances.

30 National football Teams, 178 professional football teams, 159 professional footballers, 21 professional cricketers, 8 Motorsport teams, several other groups and individuals from artists to rock singers.

- **Usein BOLT:** Most topical current Puma endorser the Jamaica sprinter for his record-setting performances at the IAAF World Championships in Berlin in both 100m & 200m. Bolt's media value estimated at US\$358M. Puma pays Bolt \$1.5M a year in endorsement fees. CEO Zeitz supports Bolt's endorsement because “Bolts casual style fits very well with the 'fun' image the company strives for. His personal style, representing Jamaica as a country, perfectly personifies the Puma brand. His appeal goes beyond his sport.”

In 2008 Beijing Olympics – Bolts success increased “global chatter online about Puma during the games by 64%. Nike and Addidas only saw modest surges of 18% and 17% apiece despite dramatically outspending Puma on athlete and sponsorship endorsements.

- **Brand Value**

- Nike has brand value increasing 4% year over year. Adidas also saw its brand value grow with generation of over \$1B in sales in China by 2010. Puma joined the top 100 for the first time, ranking 97th with a \$3.2B brand value.

- **Gaming Industry**

On 26 Aug, Microsoft announced a global partnership with PUMA for the driving game Forza Motorsport 3. This marked PUMA's 10th anniversary in motorsport industry. This collaboration will ensure prominent PUMA branding within the motorsport gaming industry worldwide.

- **Pele**

- Positive/Negative endorser: Pele stopped the referee at the opening whistle of a 1970 World Cup finals match to tie his shoelace. TV zoomed in to give millions of television viewers a close-up of his Pumas. This was at request by Puma to launch and raise the company's football boot market as an entry product. Negative PR In 2005, as Pele endorsed a line of retro sportswear, which failed to take off.

- **World Cup 2010**

- Kit supplier to 11 African National Teams
- Nobody has a deeper understanding of the African market as Puma do and this in the past year AM accounted for about 3% of Puma's \$3.5B revenues
- As result of WC '10 company aims to step up production in Africa to more than 1mill pieces in 2010, after est. 750,000 pieces in 2009.

Industry Overview



- Products

- ✓ Sportswear, apparel & accessories

- Highly competitive market

- ✓ Nike

- ✓ Adidas

- Mainstream fashion product

- Globalisation

- Economic recession effect

History



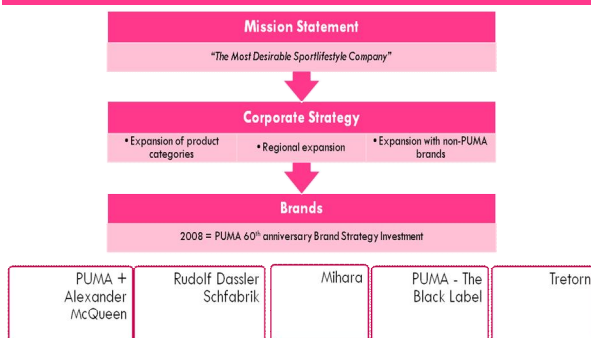
- 1924** Foundation of Gebrüder Dassler Schuhfabrik, Herzogenaurach, Germany
- 1948** Puma Schuhfabrik Rudolf Dassler is founded
- 1986** The company Puma goes Public and its stock is traded on stock exchanges
- 1993** Jochen Zeitz is appointed chairman and CEO
- PHASE 1 RESTRUCTURE:**
 - ✓ Full outsourcing and decentralization
 - ✓ Registers a profit for the first time since IPO in 1986
- 1997 PHASE 2 Reposition the brand through investment and product development:**
 - ✓ PUMA merges sport and fashion and cooperates with world's well-known designers
 - ✓ Sponsorship agreements with famous sportsmen
 - ✓ Acquisitions and termination of licensees

History continue



- 2002 PHASE 3 Explore the potential of the brand by generating desirable and profitable growth:**
 - ✓ Partnerships with Jamaican Olympic Federation, Italian National Football Team, Swedish and Moroccan Athletic Association
 - ✓ Official supplier of apparel and footwear of the World Rally Championship
 - ✓ New partnerships with famous photographers, designers and Hollywood stars
- 2006 PHASE 4 Company expansion:**
 - ✓ Joint ventures in Asian countries
 - ✓ Partnerships with Charity organisations and participation in United Nations Environment Programme
 - ✓ Active terminations of licensees
 - ✓ Huge investments in sporting events
 - ✓ PPR Group becomes the main shareholder of the company (2007)

PUMA's Vision



PUMA's goal is to be "The Most Desirable Sportlifestyle Company".

Along its charted course, PUMA makes use of the opportunities offered by the growing sportlifestyle market to strengthen its position in all categories and regions as one of the few multi-category brands. Selected categories and divisions are being developed with a view to achieving permanent value increases through unique brand positioning.

PUMA describe themselves as *"a sportlifestyle brand where product categories originate in Sport before being continued in Lifestyle and on through to Fashion."*

PUMA Product



+ PUMA Endorsers
"Usain BOLT"
+ Interbrand top 100 position
+ Microsoft Gaming
+ World Cup 2010



Inside PUMA



- Staff
- Sourcing
- Retail



CSR PROGRAMMES

- puma.safe** (focusing on environmental and social issues)
puma.peace (supporting global peace)
puma.creative (supporting artists and creative organizations)



PUMA has developed a virtual corporate structure. This virtual structure is supported by a matrix organization with a vertical (functional) and horizontal (geographic) focus:

PUMA's virtual headquarters are comprised of decentralized core competency centers located within Germany, the U.S. and Hong Kong. - - -
- Dispersed amongst these core competency centers are PUMA's seven corporate functions consisting of Product, Product Supply, Brand, Growth, Structure, Brand Value and Culture.

Through its matrix organization, PUMA achieves further geographical focus through its subsidiaries, as those in Germany, USA, Hong Kong, Austria and Australia are also regional hubs. The hubs were created to oversee PUMA distributors, licensees, as well as some subsidiaries within the respective regions.

- **Staffing**

10,069 (end of 2008)

- **Sourcing**

Puma has been repeatedly implicated in egregious violations of workers' rights in Turkey, China, El Salvador, and Indonesia

In the last few years it has been criticized for contracting with factories that force their workers to work excessively long hours for little pay even though their outward facing ethical image and sustainable programmes are very positively weighted

PUMA uses outsourced production facilities in over 40 countries

- This year saw new Vietnam Development Centre – these current restructuring efforts will streamline Pumas business operations throughout all steps of their value chain. High scale centralisation home for footwear and apparel prototype and sample suppliers covering 85% of PUMA's footwear and 15% of PUMA's apparel development needs. The new complex includes material and component suppliers as well as Sourcing, Engineering, Material

Management, Laboratory and Research & Development Centers of PUMA's sourcing organisation.

- **Retail**

- Puma products are sold in more than 80 countries.
- Puma is currently opening its first U.S. flagship store this Autumn in Chicago.
- The new store will be the first to carry all categories of Puma merchandise under one roof.

Corporate Social Responsibility

- Last yr Puma realigned and introduced new Corporate Values of Fair, Honest, Positive and Creative. Supporting these are selected core categories through which they will strategically focus their energy and resources in the future:

puma.safe will continue to work toward reducing our carbon footprint, developing new sustainable products, and raising work and production standards worldwide.

puma.peace will continue to develop initiatives that promote and support peace across the globe.

puma.creative initiatives aim to bring together individual artists and organizations, and provide them with a platform for creative exchange and international exposure

Sustainability Report 5th yr- certified by TÜV Rheinland (provide certification on product and management systems)

It gives in-depth and transparent view of its activities and initiatives

PUMA Structure



Board of management



Jochen Zeitz



Melody Harris-Jensbach



Klaus Bauer



Stefano Caroti

Deputy Members of the Board of Management:



Antonio Bertone

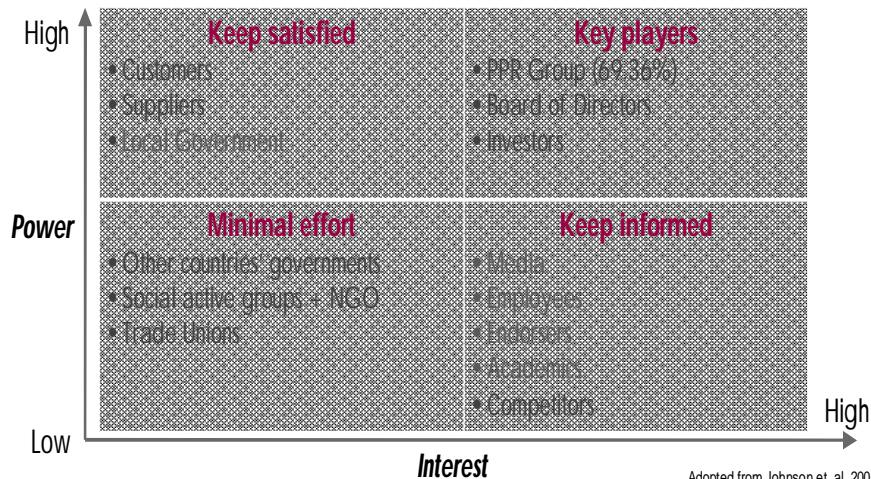


Reiner Seiz

Supervisory Board 6 members

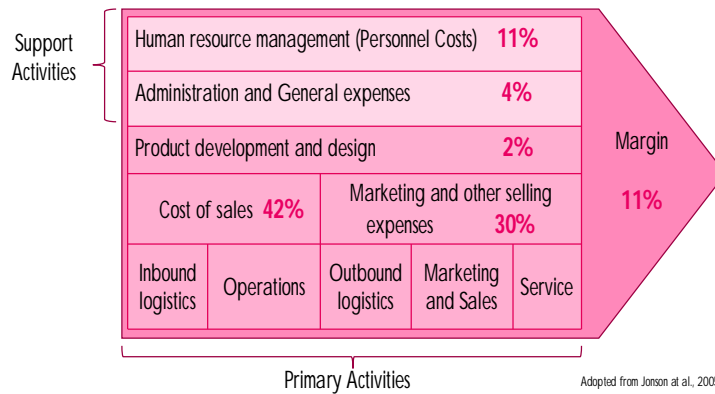
4 x representatives of firms stockholders (3 x PPR Group 69.36%)
2 x employee representatives (PUMA staff)

Stakeholders

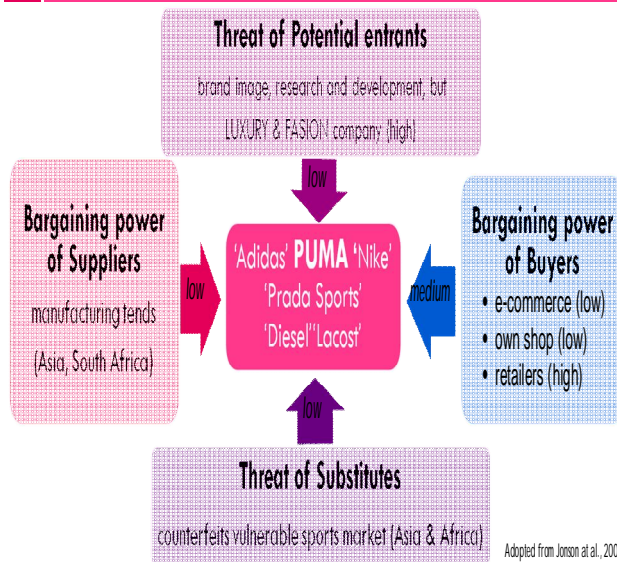


Adopted from Johnson et. al, 2005

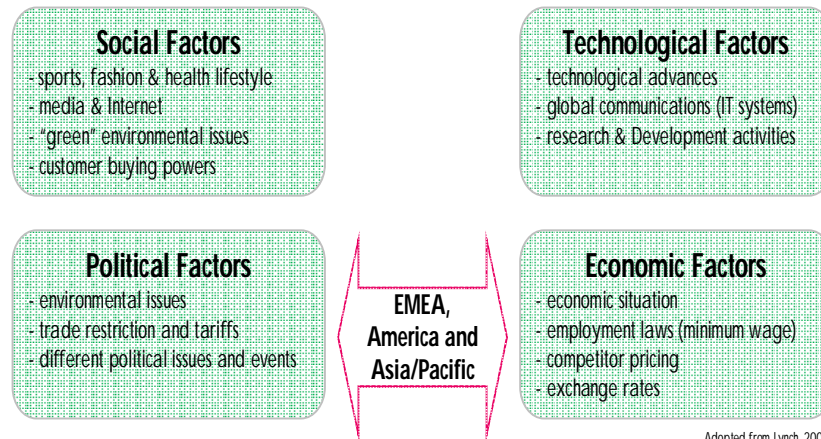
Internal factors: Value chain



The five forces framework



PEST-Analysis



Competitive advantage



Differentiation :	Only 20% of customers used their sports shoes for the intended purpose (New York Times Magazine, 2003)
"..is to know which sexy stars, not athletes, wear which Puma shoes..."	Puma created products that are fashionable which are promoted as fashionable.
Niche markets (explore new territories)	Africa
Identify and Promote Talent	prepare talented staff for their future key tasks
Adaption of Culture	Design: Values, Pride, heritage, Audacious provocative he right people for the right markets (PPR experience)
Strategic partnership and Alliances :	<ul style="list-style-type: none"> • Brandon Company AB" • Monarchy/Regency • PPR (2007)

Adopted from Jonson et al., 2005

PUMA's motives for alliances



Environment	Capabilities	Expectations
<ul style="list-style-type: none"> ▪ Fast-moving ▪ A gap in the market ▪ Competitors slower to make change (Nike, Adidas) 	<ul style="list-style-type: none"> ▪ Exploit core competences in the fashion, life style market ▪ Reasonable track in the sport market ▪ Culturally adaptable ▪ Fast Learner 	<ul style="list-style-type: none"> ▪ Shareholders want continuing growth ▪ Survival, Expansion

Adopted from Johnson et al., 2005

PUMA's Current Strategy



PUMA's goal:

"The Most Desirable Sport lifestyle Company"

I- Expansion of product categories

- Product development and design
- Hussein Chalayan as Creative Director

II- Regional expansion

- Retail operations
- Regional availability
- Licenses

III- Non-PUMA brand expansion

- As done with the Treton brand, PUMA does not rule out an expansion of non-PUMA brand



www.designer.com

From www.puma.com

PUMA current strategy

The company's goal is to satisfy and excite target groups through innovative product designs and in turn gain their loyalty to the brand over the long-term.

Close proximity to consumers leads to more rapid product development and product launching. In addition, innovative products can be presented in a brand-oriented environment, thus also ensuring a unique brand experience.

Puma collaborated with Monarchy/Regency, a film and television Production Company, through this partnership, Puma obtained free advertising through product placement in films like *Pretty Woman* and *JFK* as well as in television shows like *Will and Grace* and *Friends*. *The connection with Hollywood* deepened when celebrities like Gwyneth Paltrow and Madonna were seen wearing Puma.

In the fashion world, there is always a need to consistently anticipate and fulfil the fashion demands of its consumers for this reason; puma has made a strategic alliance with PPR (French, experience).

Puma company has done a lot for the last 17 years to become a successful company.

Its main strategy is to invest in the sports events in order to further increase of the brand desirability. There is an increase in sales during the whole 5-year period we are analysing.

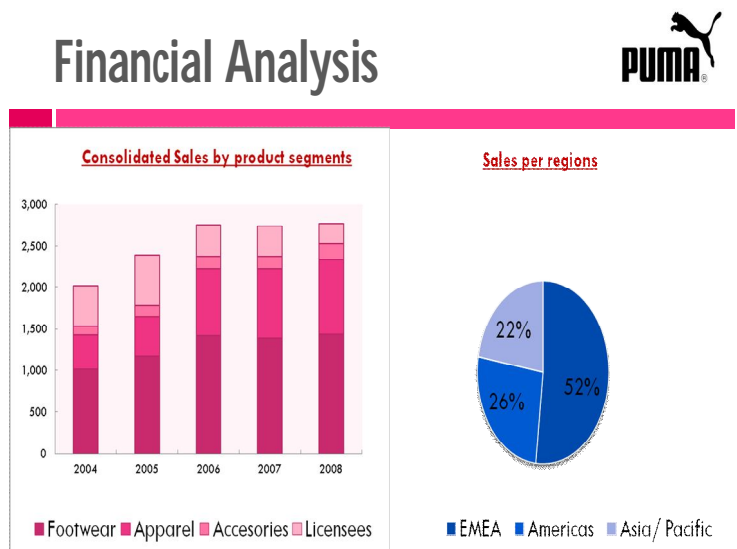
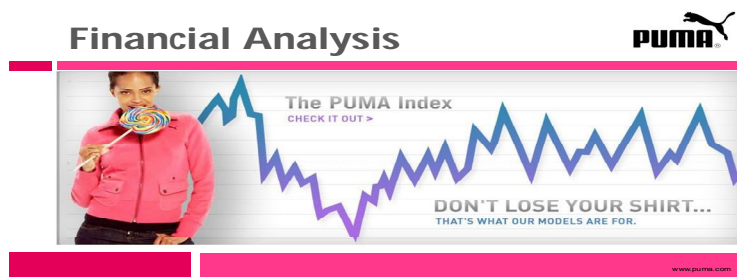
Such increase was possible due to the implementing the 4-phase strategy. Today Puma is in the 4th-Phase which will end in Y2010. The biggest increase is in the Y2006 which is understandable as there was an economic boom in many countries. Also we should mention the Licensees sales.

Licensees sales are the sales which are made by the companies which are not related to Puma. According to the 4th-phase plan Puma distribution licensees will be increasingly recalled and transformed to subsidiaries or joint venture companies which will then become integrated into the Puma Group, so we see a significant decrease in licensees sales since Y2006. Puma Group is making takeovers every year. Y2008 was also the year when

Puma Group took over the Korean market and an expiry of the license agreements in Y2007.

We have calculated the approximate volume of sales in Y2009, taking into the account that 4Q is the period of the low business activity, as sports business is considered to be seasonal. In Y2009 was the takeover of the Swedish company 'Brandon Company AB'.

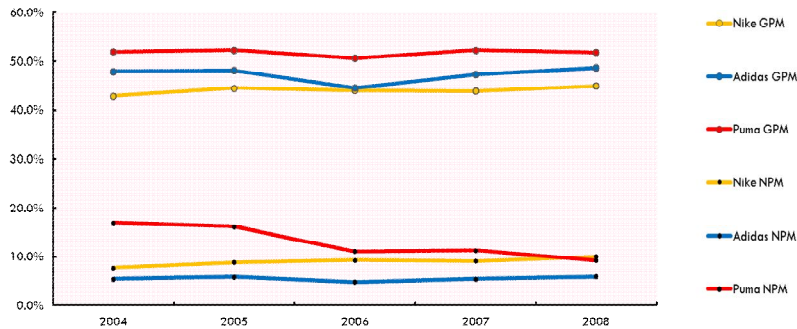
Sales are mainly increased due to the participation in many Sports events all over the world.



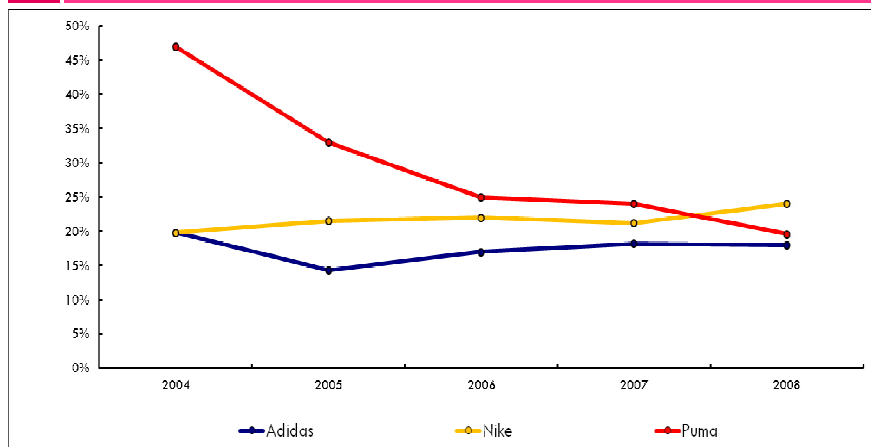
Financial Analysis-Profit



Gross profit margin/ Net profit margin



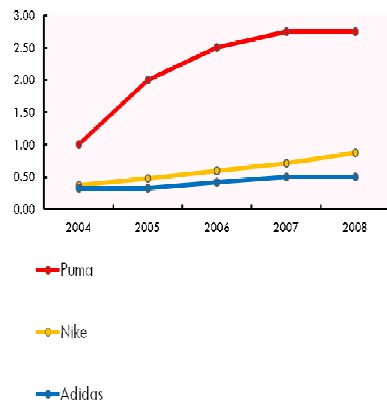
Financial Analysis-ROSF



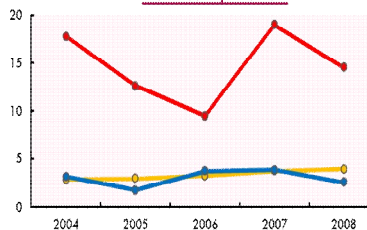
Financial Analysis



Dividend per share



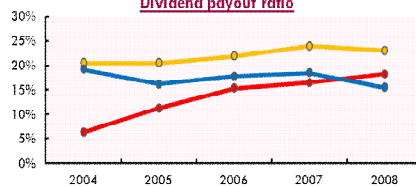
Cash flow per share



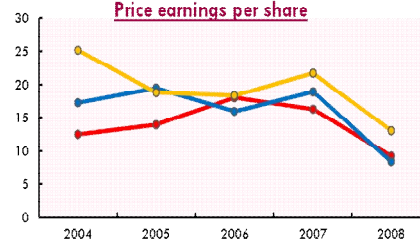
Financial Analysis



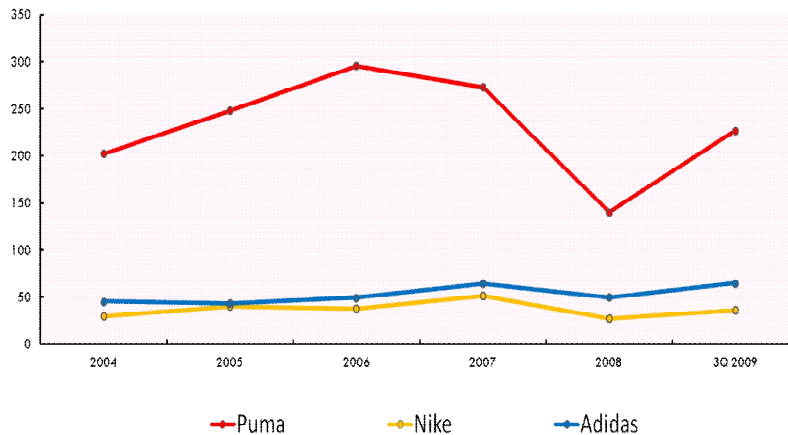
Dividend payout ratio



Price earnings per share



Financial Analysis-Share prices



Consolidated Sales per region

One of the Puma's main strategies is the Regional expansion. Puma expands itself by investing and supporting many different sports events and athletes all over the world but also by takeover of the licensees and product diversification. In the latest years we can see the increase in sales of the accessories. That is due to the cooperation with the designers. We believe that the increase will continue. As no other sports company is selling perfume etc.

We see a decrease in sales volume in Americas regions since Y2006. The US market, which is the largest in the region, declined after several years of double-digit growth. In 2007 sales decreased by 9% comparing to Y2006. This development is mainly due to already mentioned adaptation of the business with a key account customer who had posted strong growth in previous years, and to the generally difficult market environment in the mall-based business.

SWOT Analysis



Strengths

- Brand image & quality
- Product differentiation, design innovation
- Regional Expansion
- New Market Entry
- Stable sales increase

Opportunities

- Available bank capital
- Acquisitions, & alliances
- Global sporting events
- New market developments - internet
- Puma retail outlets

Weakness

- Lack of retail outlets
- Low market share in some regions
- Limited target market
- Return policy

Threats

- Economic situation
- High competition
- Imitation of products
- Investment strategy

Adapted from Lynch, 2003

PUMA Scenario



OPTIMISTIC

ALLIANCES

- Share experiences
- Sharing knowledge
- Diversification
- Cost reduction

INVESTMENT

- Increased market share / retail stores
- Control of licences = service quality

NEW MARKET ENTRY

- New geographical market entry
- Increased sales
- Telecommunication

PESSIMISTIC

ALLIANCES

- Clash in strategic decisions.
- Cultural clash
- Conflict of interest

INVESTMENT

- Lack of internal financial resources
- Control of licences = more spending

NEW MARKET ENTRY

- "Counterfeit, regimes instability"
- Loss of money
- brand image damage

Conclusion



- ✓ PUMA is an **established brand** on the market
- ✓ PUMA is **No. 3** in the world of sportswear market
- ✓ Pioneer in implementing **fashion into sport**
- ✓ Still on the course of their **strategy (PHASE 4)**
- ✓ PUMA's **culture is to adopt and promote** another cultures
- ✓ PUMA is working towards being **ethically correct**
- ✓ PUMA company uses **effectively its financial resources**
- ✓ **High share price**, but good and stable **return on shares**
- ✓ **PUMA alliances** are the door for the **future investments**
- ✓ **Africa** is the next challenge

RECOMMENDATIONS



A promising investment – additional factors to consider:

- **How much** are you willing to invest?
- Are you willing to **be patient during a recession**?
- Are you willing **to take risks**?
- Long – term, short- term investment ?
- How much weight you attribute to the ethical issues?

PUMA FACTORY 2009



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