

ADIDAS AND PUMA

In 2010 a survey of European football fans¹ showed that Adidas was the best known sponsor of football in the continent. This is not surprising given that it sponsored the FIFA World Cup™ that year and provided the kit for twelve of the competing national teams. The name Adidas was coined in 1949 by the founder Adi Dassler who set up the business in the German town of Herzogenaurach, the company remained a recognisably family business until 1987 when Horst Dassler, Adi's son died. What is unusual about Herzogenaurach is that it is the home to another well-known sports apparel manufacturer, in fact the third most recognised football sponsor in Europe – Puma. Puma and Adidas are connected by more than location; Puma's founder was Rudi Dassler, Adi's brother. The story of the rivalry between the two brands is also a saga of a family rivalry which shaped not just the development of Herzogenaurach but also the development of the sporting goods industry.

Gebrüder Dassler Schuhfabrik was founded in 1924 by Adi and Rudi Dassler. The company was the first to make studded shoes for football and spiked shoes for athletics. Adi worked closely with the athletes who wore the company's shoes, and this model was the forerunner of the sponsorship deals that now characterise professional sport around the world. The company had its first Olympic success in 1928 when Lina Radke-Batschauer won the women's 800m gold medal. The company continued to innovate and to equip successful athletes, perhaps the best-known being Jesse Owens who won four gold medals at the 1936 Olympic games. However, the relationship between the two brothers was less successful. While accounts differ as to the cause of the rift, it led Rudi to establish Puma Schuhfabrik Rudolf Dassler in 1948 just over the river from Adi's manufacturing plant.

The problems between the brothers soon extended to the local workforce and polarised opinion to the extent that Puma employees were unlikely to befriend, let alone marry Adidas employees. At a corporate level the two companies vied to provide sports kit for the best athletes and teams, which helps to explain why today sports stars can earn so much money

from product endorsement. Most people agree that Adidas has won in terms of signing up European football teams, but Puma has made in-roads in Africa and can boast that the fastest man in the world, Usain Bolt wears their spikes. Today this rivalry is a corporate rather than a family matter. Interestingly the only Dassler family member working for either company is one of Rudi's grandsons who is a legal consultant at Adidas. Adidas is a widely owned company with only 10 per cent of its equity in German hands. 44 per cent of the ownership comes from the rest of Europe and 28 per cent of the shareholders are American. In contrast the majority of Puma's equity is owned by the French company PPR which also owns luxury brands like Gucci and Yves Saint Laurent. Who can say what would have happened if Adi and Rudi had not gone their separate ways? However, competition in business is a healthy thing and in this case the fraternal competition added extra impetus to the business rivalry and may well have led to a higher pace of innovation in both production and marketing than would have occurred if the brothers' original company had survived.

Think about family businesses you have come across, either in fiction or reality and consider the following:

1. Is it harder to keep family and business life separate in a listed or a private company?
2. Should corporate governance codes include specific guidance to family firms?
3. Would you, as an investor, be concerned about family ownership of a business in which you were thinking of investing?

¹ The survey included fans from France, Germany, Italy, Spain and the UK and was featured in the SPORT+MARKT report 'European Football Brands Top 20 2009/10'