

For the first time, Nike, which is actually leading the charge, has to look back over their shoulder at someone who is nipping at their heels," said Marshal Cohen, chief industry analyst at researcher JPD Group.

The Adidas-Reebok combination would have bulked-up clout with suppliers, in securing shelf space at retail outlets, in bidding for sponsorships and endorsements, and in demanding discounts on its mass-media advertising buys.

The deal also would fill holes in each company's shoe portfolio, said Neil Stern, a senior partner at McMillan/Doolittle Retail Consultants. Reebok is strong in tennis, fitness and basketball, he said, while Adidas has a grip on soccer and team sports. The company is expected to continue its separate brand names.

Nike: Just do it

A Nike spokesman, however, shrugged off the prospect of a competitor closer to its own size.

"Our focus is on growing our own business," said Alan Marks. "Of course we're in a competitive business, but we win by staying focused on our strategies and our consumers. And from that perspective nothing has changed."

Nike, which has 33.2% of the global athletic shoe share, is known for a vast array of high-performance sports shoes, apparel and equipment offerings; a huge stable of elite athlete endorsers, from LeBron James to Tiger Woods to Michael Jordan; and its "Just do it" ad theme.

Adidas, which has 15.4% of the global market, has carved out a significant segment in high-tech sports shoes. It also dominates soccer, having endorsement deals with superstars such as David Beckham and sponsorship of top events including the FIFA World Cup.

In an industry known for motivational advertising, Adidas' current theme is "Impossible is nothing."

Reebok, which will get more access to worldwide distribution, has a 9.6% share of the global shoe market. The company has made a larger marketing splash in the international arena of late with global basketball star Yao Ming. Reebok may be able to use China's Ming to aid Adidas in Asian markets.

"Yao is with Reebok at the moment, but there may be a time when he will be helpful for both brands," Hainer said.

Reebok has also embraced the melding of sports and entertainment cultures, with endorsement deals and products by Nelly, Jay-Z and 50 Cent. Its ad theme: "I am what I am."

Industry experts say that using urban-focused marketing, such as Reebok's hip-hop spokespeople and Nike's grass-roots efforts to build buzz in cities, is essential for U.S. sales success in sporting goods.

"A significant trend is the impact of urban sports fans," said Dean Bonham of sports and entertainment consultants The Bonham Group. "Finding that magical combination of sports and urban fashion has really been a significant change in the industry, and both Nike and Reebok have responded to it really well."

Some industry observers, however, warn that, while Reebok and Adidas strengths are complementary, there is product overlap. It will take careful marketing, they say, to walk the line between avoiding cannibalization of each other's sales and hurting successful products by overreacting to that danger.

"The real challenge may be in marketing brands ... which are indeed competitors," said John Barker, president of DZP Marketing Communications.

He said that often when former rivals join forces there is a tendency to try to change product lines so they don't go head-to-head. "The real danger may be in trying to reposition one brand or another to not compete. ... Both brands could be diluted in the process."

The deal is the priority now

Though challenges may lie ahead, Hainer said in a conference call that the first hurdle is to get the deal done.

"It is important to know that our first and foremost goal is to do this in a very professional way and