

# Social media marketing at Reebok India – the dilemma of ROMI and beyond

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## The Annual Review Meeting – a fortnight to D-day

It was the summer of May 2010 and in Gurgaon, India's Millenium City Venkatesh Kothapally[1] was a nervous wreck. It was not the heat, though, that had him on tenterhooks. As Marketing Manager at Reebok India he was up in a fortnight to present at the Annual Review Meeting for his department in front of the senior management at Reebok. The suspect zone was going to be the social media marketing initiative and it was going to be under the scanner for sure. Mr Alex Bossman, Executive Director (Marketing and Product), was a tough, no-nonsense, sharp manager with no love lost for the "new-fangled" social media marketing (SMM). Venkatesh had his task cut out: convince Alex and retain his team and his budget for SMM. To be honest, his job too depended on this presentation. He knew Alex was not kind if "numbers didn't speak".

Later in the course of the day, he went to meet Alex and discuss his preparatory slides for the Annual Review Meeting, to avoid any surprises at the big moment. Alex's secretary gave Venkatesh the ominous news as he waited nervously in the visitor's annex. "The boss is definitely not in a good mood today. In fact, he has already chewed out three people and its only 11am."

When the discussion started, the conversation did not go Venkatesh's way at all. He tried to justify his position, "Our website is getting a whole lot of hits like never before. And we now have an unprecedented number of followers on Twitter, not to mention [...]".

Alex cut him short:

Let's be clear. If your social media marketing is generating hits, we are not seeing it translate into sales. We need to allocate resources to areas where we can make money. It's business. Do you have any idea why people are on our sites or whether they are using information from our social media sites to become our customers? Have you got any insights into how or why consumers are connecting with us?

I do not care how many visitors the website gets or how many eyeballs we estimate we've reached unless it means we are selling more and it starts showing in our top line.

Venkatesh was in a quandary. He had to prove that his social media campaign was bringing forth results that could be translated into sales and revenues, which needs time to build. Time here was scarce and more so with Alex. He had no immediate answer!

He had to find a way to make return on marketing investment (ROMI) on SMM speak for itself, at least from the context of tangibles returns. The challenge, how to find a foolproof and credible measure of ROMI, for SMM? Second, how will the traffic through the SMM generate sales, either in short, medium or long run?

Finally, having studied the way in which social media had grown rapidly, he had fought and won approval to run SMM as the definitive marketing tool of the future. Venkatesh was

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personally quite convinced about the credibility of the medium and knew it will generate a profile of traffic that is different from a television or even an internet user. The medium was user generated and created, therefore the traffic on the platform will decide what to endorse and what not (for a detailed history of SMM refer to Exhibit I).

Venkatesh now wondered how he could convince his bosses on SMM's justifiability. Bossman was more intent on driving sales, which Venkatesh thought had limitation in the long run. He was convinced the SMM approach was more consumers (user) driven and if they talked and discussed about the brand, there are long-term implications. He also felt, Bossman can be convinced and ROMI seemed to be the only way forward to do so.

After the meeting, as Venkatesh tried keeping his cool as he was constantly slipping into the vertex and reeling under the pressure of measuring a domain which so far did not provide for any quantifiable data to support and the added impossibility of measuring the medium. Second, the thought of the personal ignominy of failing with this initiative threatened to be monumental to him. Few thoughts that came trickling back to him; how could he highlight the importance of SMM as a marketing tool for short- and long-term benefits of Reebok? How was he going to convince his superiors that though SMM is a great marketing tool, currently, it has issues with accurate measurement? Finally, convince the traditionalist bosses to accept the importance of SMM, since the youth today related to this medium more than even television or cinema! It seemed to Venkatesh, Shiva his mentor may have some answers to some of the questions.

### Reebok history

Joseph William Foster made running shoes with spikes way back in the late nineteenth century, making him one of the first shoe manufacturers to do this and helping to develop the athletic shoe into its current form. In 1895, Foster opened a business in the UK, J.W. Foster and Sons, to market his high-quality handmade running shoes to knowledgeable athletes across the world. By 1924, Foster and Sons had an established reputation for manufacturing superior shoes, and the company was given the chance to manufacture running shoes for athletes representing England in the Olympics. Among the runners performing in Foster shoes were the legendary Harold Abrahams and Eric Liddell, runners whose lives form the basis of the classic movie "Chariots of Fire." With this legacy of high-quality footwear construction in mind, two of Foster's grandchildren, Joe and Jeff Foster founded Mercury Sports. This was the company that would become Reebok in 1960, named after the Dutch word for an African gazelle. The company lived up to the J.W. Foster legacy, manufacturing first-class footwear for customers throughout the UK. In 1979, Paul Fireman, a (USA) sporting goods distributor, saw a pair of Reeboks at an international trade show and negotiated to sell them in North America.

Reebok became extremely popular in the early 1980s after it launched the Freestyle athletic shoe for women at the height of the aerobic fitness craze in the USA. The Freestyle was not only an athletic shoe but it doubled up as street savvy casual footwear because of its comfort and styling. It became the fashion icon of the 1980s.

This was followed up by the Ex-O-Fit athletic shoe for men which also proved to be a runaway success. Similar to the Freestyle it came in a low- and hi-top version.

In the late 1990s, it made a conscious decision to commit itself to fair practices and human rights in its vendor factories worldwide. In 2004, Reebok's footwear division became the first company to be accredited by the Fair Labor Association. In 2004, Reebok's apparel division became a founding member of the Fair Factories Clearinghouse, a non-profit organization dedicated to improving worker conditions across the apparel industry.

Reebok International Ltd was acquired by Germany's adidas Group for \$3.8b in 2006. In 2010, adidas Group sales in currency-neutral terms increased by 9 percent driven by growth in wholesale and retail segments. In euro terms adidas Group revenues grew 15 percent to €12 billion from €10.38 billion in 2009 and the Group's gross margin increased by 2.4-47.8 percent. This was achieved by fewer clearance sales and a larger share of

higher margin retail sales. Gross Group profit was up 22 percent to €5.73 billion. The Group's operating margin in 2010 was at €894 million versus €508 million in 2009 (refer to Exhibit 2 for a detailed income statement, cash flow statement and statement of financial position of adidas Group).

Besides Reebok, there are three other businesses: Taylor-Made Golf, Rockport casual wear and Reebok CCM Hockey that makes up Reebok. In 2010, Reebok's sales expanded 12 percent on a currency-neutral basis to €1.9 billion. In the Christmas period, Reebok was among the top three sports footwear brands in the USA. In 2010, Reebok North America grew by 22 percent. 2010 was also the year of two key Reebok technology platforms – Easy Tone and Reezig. In his address to shareholders in 2010, Herbert Hainer, adidas Group CEO, stated that 2011 would be the year of ReeFlex, a Reebok innovation which facilitates natural movement of the feet while engaged in high performance sporting or adventure activities (refer to Exhibit 3 for Reebok Production facilities).

## Sports footwear in India

Sportswear in India was a niche segment. In this segment sports federations, manufacturers, sponsors, players/athletes and consumers play important roles and influence the decision-making process. Along with this, rising per capita income, changing lifestyles and health awareness were some important reasons for the growth of the sportswear segment. Till recently, India had been traditionally a manufacturing hub for sports equipment; Ludhiana (sportswear), Meerut (cricket and hockey equipment; footballs and volleyballs), and Gurgaon (basketballs and cricket soft balls) were some of the major cities known for their manufacturing competencies. The number of sports and sportswear brands sourcing from India rose dramatically after India's economic liberalization.

The sportswear market comprised of sports apparels, sports footwear, sports gear and sports accessories. The current sportswear market is dominated by sports apparel and the sector is likely to have similar projections for the future as well.

Amongst the major players in the industry, the presence of the Big-4 (Reebok, adidas, Nike and Puma) was the most dominant factor. Reebok and adidas entered the Indian market way back in 1995 followed by Nike (initially through a joint venture partnership with Sports Station India Private Ltd (SS IPL) and later as a wholly owned subsidiary) in 2004. Puma was the last entrant of the Big-4 in 2005.

The branded sports goods market was estimated to be between Rs 4,000 and 4,500 crores (USD 750 million), with the market growing at 15 percent approximately every year. In this market, 60 percent of the pie had been carved up by domestic players (mainly unorganized) and of the remaining 40 percent – Reebok had about 45 percent followed by adidas with 25 percent, Puma at 18 percent and Nike brought up the rear with 10 percent. Other players like Fila, Lotto, Converse and New Balance occupied niches.

This breakup of market share would most likely continue without major changes or any new entries in the field as entry barriers to the industry were significantly high. This industry demands economies of scale in terms of manufacturing, distribution, high capital investments and marketing. To compound matters, continuous innovations through dedicated R&D were a must. In addition, as consumers are looking to purchase premium products, reliance on a "brand" name was implied. Manufacturers must carry strong reputations that take several years to develop and gain trust with the consumer. Very few Indian companies have been able to penetrate in this market due to these high entry barriers, but the presence of the large number of unorganized players has meant opportunities for them to explore and exploit.

The Big-4 had always been content with their business strategy of catering to the upper end of the market, leaving the mass market for the domestic players. They still subscribe to the "Our brands are aspirational [. . .]" as erstwhile adidas Managing Director, Andreas Gellener famously once said:

[ . . . ] rather than going to them (the price-sensitive customer) with a cheaper proposition (such as a stripped down version of a luxury car model), it is expected that they come to us with loads of aspiration and wads of cash.

This was their (adidas) emerging-market strategy when they started out 15 years ago. That remains their strategy till today, when they managed to build a Rs 450-crore market. Reebok was the only brand that decided to down stretch their product line to cater to some sections of the masses. In this process, as Subhinder Singh Prem, then MD of Reebok and joint MD of adidas-Reebok, stated, “Reebok aspired to become a ‘masstige’ brand, a combination of a prestige brand for the masses”.

Thus, in this war over the Indian sportswear market, Reebok with its 45 percent share of the market clearly outran its competitors by quite a distance, one of the few countries in the world where Reebok heavily outperformed its global competitors.

### Flashback: May 2009

Venkatesh’s mind went back in time to May 2009 when he had discussed social media and its marketing relevance with Alex for the first time. He had elaborately planned for the meeting with all numbers in place. Nevertheless, Alex was not convinced. When he delivered the big blow: “Go figure out which program you have to cut to fund this Social Media Marketing thing. Remember, our bonuses are on the line.” Venkatesh knew there was a lot riding on this SMM “thing” as Alex had derogatorily termed it.

The social media skeptic that Alex was, he had clearly stated that any expenditure on SMM would have to be justified on either or both counts of cost reduction and revenue generation.

He was actually very specific: cost reduction should come as a result of increased interaction with customers and prospects in the marketplace based on a deeper understanding of consumers’ thinking and generating more market intelligence. Finally, both should lead to less customer servicing cost. Revenues had to be increased through more transactions, more new customers, and stronger customer loyalty.

There were no separate funds for social media that Alex would give him. Venkatesh had set himself the painful task of deciding which areas he would have to axe to “create” funds for the SMM program. The budget would have to come from sources internal to the department. At the same time, he was convinced that SMM was the future of connecting with current and future customers. It was not an option. It was imperative.

But Venkatesh knew social media was not free. It needed people, technology, time and most of all money. And time was of the essence where unraveling consumer insights would consume a lot of time. All of these, further constricted by limited resources. Headcount, inbound calls, marketing, accounting, advertising, sales department – each was a resource with a specific cost and each resource yielded specific results. This entire package was 100 percent of the budget to generate 100 percent of the business. Even a 1 percent loss in resources efficiency would result in overall reduction in revenues. And after all this, would there be numbers to speak of? And particularly for Alex, it would be top line that concerned him the most.

A few days of deliberations later, Venkatesh had presented himself before Alex, “I have made a 20 percent cut in my PR budget and another 40 percent in my outbound call budget. Now I can afford a Social Media Team!” Alex replied, “Okay, hotshot, you have your Social Media thing. Now I’d better see some real results!”

Five months later, Venkatesh was feeling optimistic. His team had reported a large number of new visitors to the web site, and all their Facebook friends were there too. Not only that, they had even got comments on their blogs! A bonus: even the Twitter nets were active. Google analytics for the site was positive too. There was euphoria all around in the marketing team!:

However, nobody heard the voice of the finance executive who asked a rather “unwanted” question at that point in time “Has anybody given a thought to the P&L statement!?”

It was November 2009 and things could have been better at Reebok India Headquarters in Gurgaon. At the half-yearly budget review, Venkatesh was called in by Alex to give an interim report on the effectiveness of the SMM expenditure done so far. Besides, he had to present, whether his decision to cut budgets from other traditional marketing communication channels and their diversion to the non-traditional SMM channel had been successful for the company or not.

### Shiva Kalnsaaf (Shiva's Justice)-I

Venkatesh turned to his corporate mentor, Shiva, for help. Shiva suggested that Venkatesh first understand the intricacies of ROMI in the context of social media and learn how to dig deep into every line, blog, comment, opinion, tweet, re-tweet and posting to unearth what it is that make consumers tick on social media web sites and generate sales. This would result in conversion of social media activity into a robust ROMI figure. Shiva further explained, ROMI is a ratio of the following:

$$\frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

But he cautioned thus, "Remember ROMI is business metric not media metric. ROMI is 100percent media neutral. Only measuring digital or social media will not get you anywhere."

Thereafter, Shiva started scribbling on a sheet of paper and started to explain the sequence of events that happens in a SMM campaign. Very succinctly he brought the complex SMM tool down to a sequence which he called the "ROMI Effect Sequence" (see Exhibit 4 for a note on ROMI effect sequence).

Shiva stressed the important point that only financial impacts fell under ROMI. Perplexed, Venkatesh sought more clarity on the constituents of non-financial items. Shiva explained that it consists of web site visitors, impressions, customer complaints, positive press, re-tweets, coupons distributed, YouTube views, click-through, drive-in visitors from the SMM platform to a brick and mortar store, negative press, negative word of mouth (WOM) or positive WOM, employment applications, social mention, blog comments, Facebook friends, Twitter followers and delivered e-mails. "None of these is ROMI yet. It is potential ROMI, though to convert non-financial into financials (basically sales)", he declared. Shiva went on to add:

[...] the challenge is to understand why these consumers who are on your blogs and Facebook pages are really there. Or why they "stick" to your site? Have you got any current information on the number of people visiting your social media sites compared to your competitors?

"Yes, I do. Here it is," he said whipping out a sheet from his portfolio. A couple of days earlier, Venkatesh's assistant, Vaibhav, had given him some good news: "Our YOY sales are up 25 percent and our individual transactions have doubled. Our transacting customers have doubled. Something is obviously working!"

Venkatesh had felt a huge burden lifting from his shoulders:

Let's find out what is working! And for that we really need to understand what our customers and fans and prospects are doing and thinking and commenting on the social media where we are present. We are doing something right. But what?

He now shared with Shiva, a questionnaire which was used to collect information from Reebok SMM staff (refer Exhibit 5 for the questionnaire).

"Time to step back and take a look at what we have achieved so far!" was the thought that crossed Venkatesh's mind. The statistics were looking good indeed (refer Exhibit 6 from Reebok's home page visits and details on the activities). With more than 373,000 people on its Reebok Men Facebook homepage, another 295,000 on Reebok Women Facebook homepage, and 842,155 on Reebok India's Facebook homepage more than 1.6 million (excluding the overlap of the men/women to Reebok Facebook homepage) people connected and participated. Venkatesh knew he was onto a big thing. But statistics by

themselves mean nothing more than numbers. He had to unravel the numbers and translate them into online success via consumer insights.

### **Review or perhaps a preview with Alex!**

Buoyed up with the fabulous numbers and Shiva's input, Venkatesh walked in for the review meeting with Bossman. Right at the outset, Alex hit him with:

Show me the insights you have gathered from your work so far. Do "NOT" give me page-hits, eyeballs and the like. Give me insights. Tell me why I should believe in SMM. Tell me how it is different from all the other e-marketing methods I have been using so far, And if I may add, successfully.

Venkatesh had not bargained for "insights". This was supposed to be a progress review. Insights do not come in five months. It requires time and years of delving. But he had numbers of hits. Impatiently Bossman barreled on, "Do you have insights or don't you? And please spare me the superficial numbers."

Gathering the remnants of his self-esteem, Venkatesh replied. "Sir, it's a bit early to come up with insights on the SMM initiative. My numbers tell me that we are on the right track". At this point he slipped across the sheet containing SMM numbers to Bossman, looking him straight in the eye. He continued, "Most of our competitors have no presence on the social media marketing platform. We have a first mover advantage which I intend exploiting to the maximum extent possible".

"That's all very well, Venkatesh," Bossman retorted:

[...] but what I want to see is whether you are able to bring to your next meeting specific marketing insights in understanding your target audience (TA), their profile, what makes them tick and what makes them "stick" to our "SM" pages. Most importantly, show me how SMM is viable.

Venkatesh came out of the meeting with a clear focus: get the insights in place. Uncover, unravel and unearth the real customer. Who is the real Reebok online engager? What demographic and psychographic profile does s/he possess? What makes him/her "tick" and "stick"? How Reebok's online marketing strategy worked?

He went back to his mentor once again, with renewed hopes.

### **Shiva Kalnsaaf-II**

On further analysis with Shiva, he discovered that a large number of the registered followers on the Reebok India Facebook page were very active owing to the cricket mania among Indians. With many people spending up to 50 hours a month on the Reebok Facebook page, the opportunity for connecting with the brand was immense. And of the three other large players in the same industry, Nike, adidas and Puma, one could very clearly see that "competition had missed the social media marketing bus" (refer to Exhibit 7 on how the Big-4 feature through SMM).

Shiva looked at the figures and appreciated the lead Reebok had generated over its competitors. He wanted to know if Venkatesh had mined any consumer insights from the large amount of activity the social media sites were witnessing. Venkatesh was glad he had done his homework. He drew another sheaf of papers from his portfolio and handed them over to Shiva.

Shiva found there were three main products which had netizens discussing Reebok.

### **Reebok EasyTones**

Reebok EasyTone women's shoes – with the promise of shapely thighs and buttocks for women it was drawing a considerable amount of cynicism and flak from fans and critics alike. Most commented that no sports shoe could or should claim to give a woman a shapely lower body just on the basis of the shoes she wore to workout. There was much more to it that

was being (deliberately) ignored such as food habits and lifestyle and the nature of the workouts themselves. Any or all of these could undermine the positive effects of any specific brand of sports footwear. So people were not actually buying the idea. But, Venkatesh knew that this brickbat was also a gift-wrapped suggestion to take a relook at Easytone's advertisement claims and "tone" it down to reality! The insight was well received. In addition the fact that people were talking and discussing about the brand, spelt good news on recall and recognition.

### **Promise Keeper app**

On the other hand the buzz created by Reebok's Promise Keeper app was fairly positive. The Promise Keeper app gets users talking about exercise in general and contributes to Reebok's "fun" image. It is essentially a workout planning tool with GPS tracking, launched to promote their new ZigTech trainers. The app had an extra social dimension because users have to commit their running plan to their Facebook friends and Twitter followers. This adds a layer of "social motivation" as friends and followers are informed when the Promise Keeper user does not follow through on his/her plan.

Promise Keeper was well received by users and also prompted discussion around the ZigTech trainers. Half the discussion was focused on the Promise Keeper app itself: 50 percent of users responding to the Promise Keeper app were positive, describing it as "exactly" what they needed to get motivated to exercise. They say Promise Keeper is "cool" and a "great idea" and they like the thought that they "can't get away" with not keeping to their running plan.

General exercise makes up 30 percent of discussion: the Promise Keeper app also prompts users to talk about exercise in general, with 30 percent referring to the difficulty of finding motivation or the different types of exercise they like to do. This highlights the relevance of the app in users' everyday lives.

Consumers also discuss the ZigTech trainers: 20 percent of users responding to the Promise Keeper app talk about the ZigTech trainers, which shows users positively link the two. Some say they would "like to try" the trainers, although a few find their design "weird" and "don't believe" that they make running easier.

The Promise Keeper app enhances Reebok's image as a "fun" and "exercise partner" brand: 46 percent of consumer response to the Promise Keeper app reflects users' perception of Reebok as a "fun" brand, whilst a further 28 percent perceive Reebok as an "exercise partner", saying the app "helps" them with keeping to their running schedule.

### **Reebok's Freestyle Hi – launched on a mouse**

In 2008, Reebok launched a mobile social networking campaign to promote its Freestyle Hi model by letting targeted consumers interact with the shoe design. The campaign lets consumers design their own shoe and send it to "itsmy.com", also share it with friends and put it in the background of their page.

"Reebok's campaign objective was to get targeted consumers to interact with the shoe. People are far more likely to interact with branding elements on mobile phones than with regular Internet ads," says Antonio Vince Stabyl, CEO, Itsmy.com. Reebok's mobile campaign targeted women between the ages of 16 and 30. A graphic mobile banner ad drove consumers to a design portal within the mobile social network.

The average consumer spent 3.5min using the design element and interacting with the mobile campaign. More than 45 percent of participants saved the picture on their phone, and average participants showed their design to three or more people. Five designs of the Freestyle Hi shoe were made available to site users as profile backgrounds.

## Segmenting social media denizens

After Shiva reviewed the three products with Venkatesh, it was felt there was a need to go a step further and better understand netizens. Just as in real life, it was obvious that not all netizens could be clubbed into one homogenous monolithic category. Venkatesh shared with Shiva the research he had already done on segmenting different kinds of net users. His objective for segmenting social media users into relevant categories was to fine-tune social media marketing according to online consumer profiles. Based on online activities, he was able to split consumers broadly into a few main “types” (refer Exhibit 8 on Venkatesh’s approach to segmenting his user base).

## Some nagging thoughts. . .

However, some doubts persisted in Venkatesh’s mind:

First, was this list exhaustive and mutually exclusive enough to develop specific marketing strategies for each segment?

Second, as in real life, we behave differently depending on different people, different environment and different times. For instance the same person could be very different as Facebook “chatter” and as a LinkedIn conversationalist.

Third, most people say things on social media they would never dare say in person:

So how can we predict what makes people act in a specific manner in real life by observing their online behaviour?

For example, people might vent frustration online but may not complain to real friends or neighbours. How we behave online is typically different from how we behave in real life. “However, what is done online slowly starts to affect our offline behaviour too! Or was it a myth!”

Shiva’s words came back to Venkatesh: “ROI can only be understood when we get a clear picture of why and for how long these followers are going to be there on our social media sites. Will they be moved to consumer purchase action while they are there? What will be the financial impact of their followership? ROI can and should be measured, and only, at the financial impact stage,” Shiva counseled Venkatesh. “That’s when you will know if you have understood your consumers, prospects and followers well enough”.

## Following the traditional approach at Reebok India

Shiva realized Venkatesh was meticulous in his research and Reebok was scoring well on all the benchmarks of SMM. But how good was it as an alternative to traditional marketing at Reebok? Reebok in India employed a wide spectrum of traditional marketing tools including print ads, multi-facility bill boards, moving OOH (out of home) vans, pole kiosks, direct mailers, television commercials (TVCs), sports team apparel and equipment (such as cricket bats) branding, official gear suppliers to Indian Premier League (IPL) cricket teams such as Kolkata Knight Riders (KKR); product placement in Bollywood movies such as “Goal”; wall paintings of the Reebok brand in Tiers I and II cities and towns of India, and so on.

How effective traditional marketing for Reebok? It can be determined by the fact that Reebok was the most recalled brand among all sports brands in India having a 54 percent share of the sportswear market in India in 2011. The muscle in the traditional marketing arsenal employed by Reebok had a lot to do with its brilliant strategy of cashing in on cricket crazy Indians while Nike, adidas and Puma tried positioning themselves on the lifestyle platform getting global stars to power them through the Indian market. Unfortunately, their strategy fell flat while Reebok became number one in the Indian market. So traditional marketing had proved tremendously successful for Reebok (refer to Exhibit 9 for more details on Reebok’s traditional marketing efforts). And now, Venkatesh was taking it away on another tangent altogether. Was the gamble going to pay off?

## The challenges ahead

Particularly, after the November 2009 meeting with Alex, Venkatesh pondered how to provide proof that the newly founded efforts through SMM was working. "Not an easy task at all!" He had a three pronged challenge ahead of him to get Alex buy-in to the SMM plan. First, explain the basis of the social media follower segmentation and profiling. Second, a step-by-step plan to justify his claim that the SMM plan will indeed work with such a larger user base of audience (read traffic) who are talking about the brand all the time. In addition this traffic on the site came on their own and not company induced. Therefore, this may require a more detailed probing and profiling as compared to the dipstick that had been undertaken currently. Third, show how every strategy and tactic he would use would be based only on deep consumer insights from the segmentation profiling he had done.

### Keywords:

Social media marketing,  
Return on marketing  
investments,  
Traditional media,  
Microblogging,  
Financial versus  
non-financial impact,  
Marketing campaign,  
Social marketing,  
Marketing strategy,  
Decision making,  
Social networks

He was convinced that the SMM medium may not be a mainstay but is here and will catch people's attention. As a competitive product market, he knew that brand needs to create a niche in the consumer's mind and stay top of mind in terms of recall. SMM platform would have been the right platform to do so.

Venkatesh looked out of the glass ceiling from his office cubicle on the 13th floor and seemed to ask himself, "Am I answerable only to Alex or to the 800,000 plus followers on Reebok Social Media Pages as well?"

### Note

1. Names of characters in the case study have been changed to protect privacy of the person.

### Reference

Keillor, B.D. (Ed.) (2007), *Integrated Marketing Communication: Marketing in the 21st Century*, Vol. 4, Praeger Perspectives, London.

### Exhibit 1. Rise of SMM

The shift in power from the company to the consumer started around the time GeoCities was founded-in the mid-1990s. Broadcast marketing strategies were creating too much noise and it was primarily interruptive in nature. But now the consumer could choose what to listen to. Later the advent of the internet gave further control on information by the user and it paved the way for SMM.

Online social marketing is the most important gift of the Web 2.0 world. It can be called the Myspace revolution. This made the internet as a global storehouse for information, gossip, jobs and networking old contacts. People are increasingly taking their "network" online. And both business and retail customers are able to tap WOM and viral marketing as marketing aids (refer to Exhibit 1 for a brief history of social media development).

For instance, a teenager adds his favourite band to his personal page and suddenly 137 of his closest friends have heard of the band. If only 15 of those people add the band to their pages, their separate networks are exposed to the band and it is a chain (Keillor, 2007). This works very well for new products or services where viral marketing is the essence. A good example of this is that in early 2011, a song "Why this kolaveri di" from a Tamil movie "3", went viral in a few days with 3.79 million hits on Youtube in one week (<http://timesofindia.indiatimes.com/city/bangalore/Why-this-Kolaveri-di-is-the-new-youth-anthem/articleshow/10862757.cms>). The interesting fact: neither was the song in a language more than three-fourths of the country was familiar with, nor was it "marketed" as a trend song. It just "happened" on social network, in a language which was not even mainstream.

Personalization and customization of content are the drivers of SMM platforms. It will be of great significance as users are so "hooked" to filtering information.

The emergence of Facebook as the top medium for connecting with friends online, and Twitter for micro blogging, has caused marketers to descend upon social media web sites in hopes of reaching their TAs as cost-effectively as possible.

The rise of the social medium has affected a lot of marketing fields, especially public relations and search marketing. In fact, a whole lot of search engine optimization (SEO) agencies are now offering social media services.

### *Social media in Asia*

In 90 days ending April 2011, Facebook users in India grew by 36.4 percent adding over 6 million users in those three months. Asia surpassed America in the use of Twitter in September 2010 and it is growing at an incredible rate. Still the penetration rate is low in India and offers huge potential for companies that become active as established companies in such media to a relatively new consumer base.

### *Does social media have a future?*

Look at the example of the web when it first came about. Many companies felt that since they were not technology companies they really did not belong on the web. How wrong they were! Today almost every company is on the web. In fact all sorts of business establishments have a web presence. It is inevitable that social media will repeat history (Figure E1).

Figure E1 A brief history of social networking as depicted through time lines

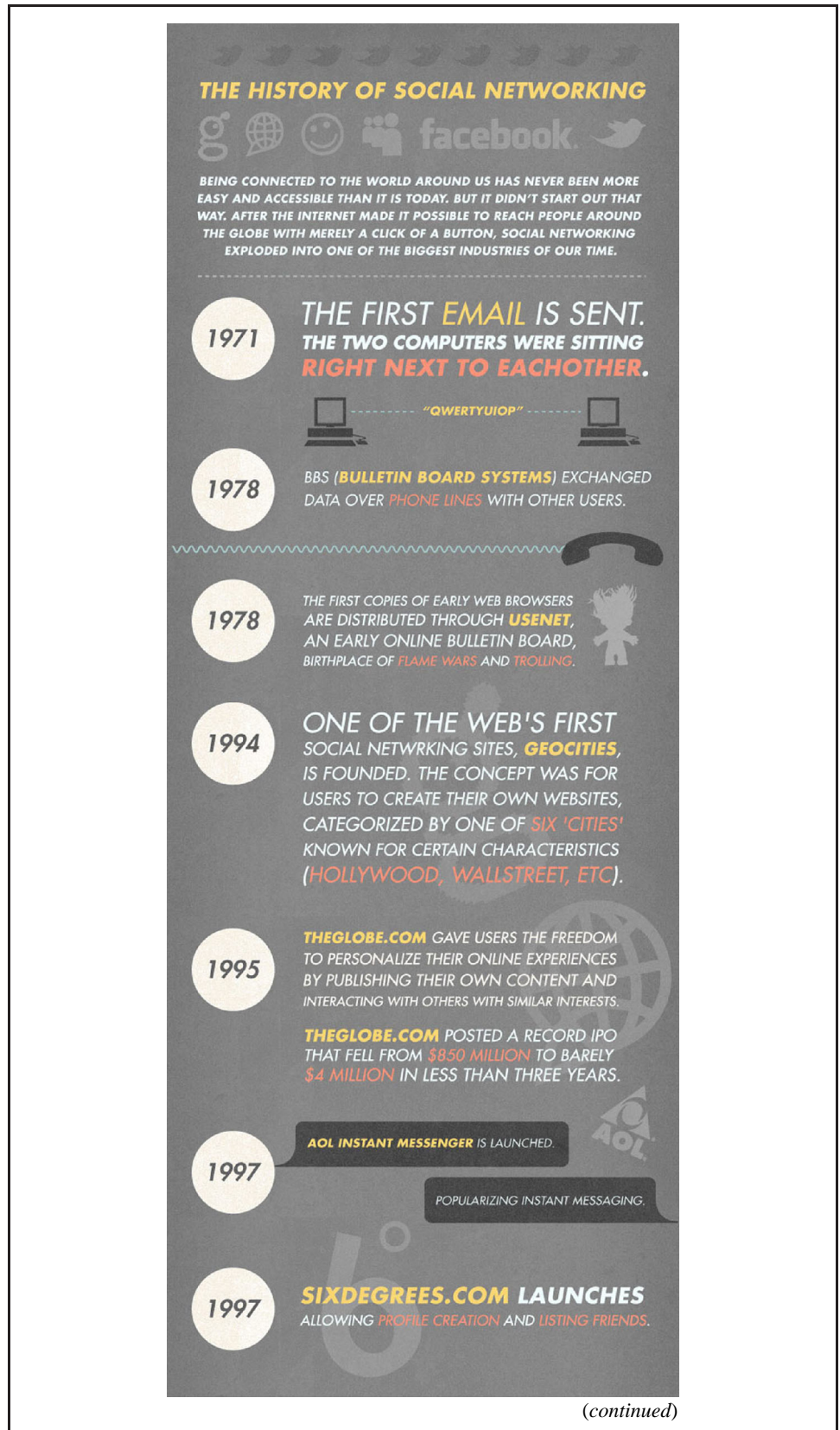
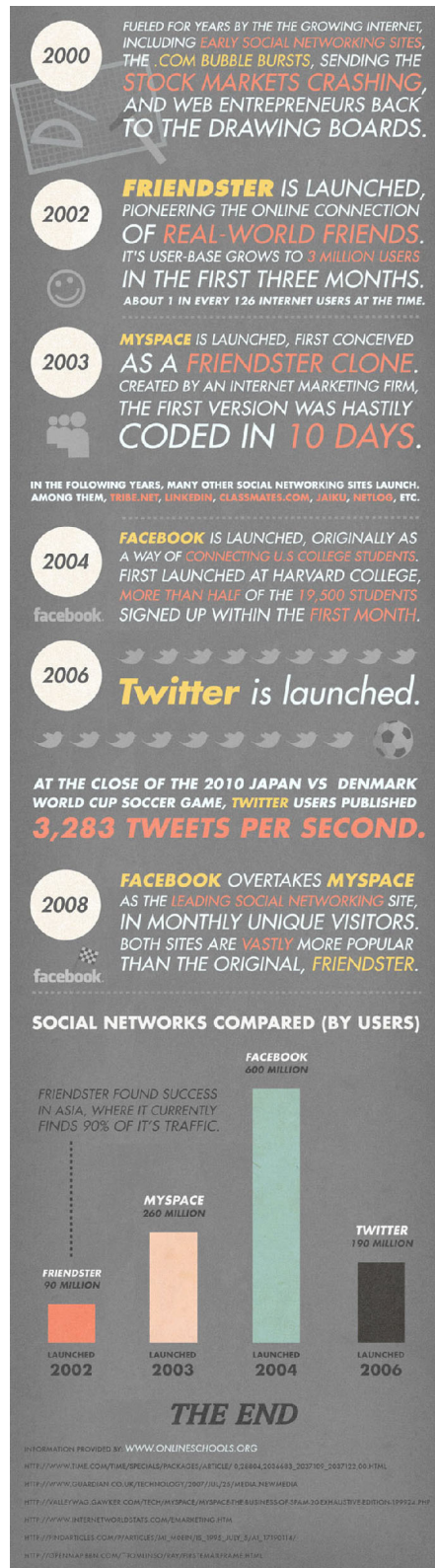


Figure E1



Source: <http://www.fastcompany.com/1720374/history-social-networking>

## Exhibit 2

**Table E1** Adidas AG consolidated income statement (IFRS)

€ in millions	Full year 2010	Full year 2009	Change
Net sales	11,990	10,381	15.5%
Cost of sales	6,260	5,669	10.4%
Gross profit	5,730	4,712	21.6%
Percentage of net sales	47.8	45.4	2.4 pp
Royalty and commission income	100	86	16.1%
Other operating income	110	100	9.7%
Other operating expenses	5,046	4,390	14.9%
Percentage of net sales	42.1	42.3	(0.2 pp)
Operating profit	894	508	76.0%
Percentage of net sales	7.5	4.9	2.6 pp
Financial income	25	19	28.3%
Financial expenses	113	169	(33.5%)
Income before taxes	806	358	125.0%
Percentage of net sales	6.7	3.5	3.3 pp
Income taxes	238	113	111.0%
Percentage of income before taxes	29.5	31.5	(2.0 pp)
Net income	568	245	131.4%
Percentage of net sales	4.7	2.4	2.4 pp
Net income attributable to shareholders	567	245	131.1%
Percentage of net sales	4.7	2.4	2.4 pp
Net income attributable to non-controlling interests	1	0	794.7%
Basic earnings per share (in €)	2.71	1.25	116.8%
Diluted earnings per share (in €)	2.71	1.22	121.8%

**Note:** Rounding differences may arise in percentages and totals

**Table EII** Adidas AG consolidated statement of financial position (IFRS)

€ in millions	December 31, 2010	December 31, 2009	Change (%)
Cash and cash equivalents	1,156	775	49.2
Short-term financial assets	233	75	209.5
Accounts receivable	1,667	1,429	16.6
Other current financial assets	197	160	22.9
Inventories	2,119	1,471	44.1
Income tax receivables	71	89	(20.3)
Other current assets	390	360	8.2
Assets classified as held for sale	47	126	(62.6)
Total current assets	5,880	4,485	31.1
Property, plant and equipment	855	723	18.3
Goodwill	1,539	1,478	4.1
Trademarks	1,447	1,342	7.8
Other intangible assets	142	160	(11.2)
Long-term financial assets	93	91	2.4
Other non-current financial assets	54	58	(6.5)
Deferred tax assets	508	412	23.2
Other non-current assets	100	126	(20.3)
Total non-current assets	4,738	4,390	7.9
Total assets	10,618	8,875	19.6
Short-term borrowings	273	198	37.8
Accounts payable	1,694	1,166	45.3
Other current financial liabilities	123	101	21.2
Income taxes	265	194	36.1
Other current provisions	470	320	46.8
Current accrued liabilities	842	625	34.7
Other current liabilities	241	232	4.2
Liabilities classified as held for sale	0	0	n.a.
Total current liabilities	3,908	2,836	37.8
Long-term borrowings	1,337	1,569	(14.8)
Other non-current financial liabilities	15	25	(41.1)
Pensions and similar obligations	180	157	14.9
Deferred tax liabilities	451	433	4.0
Non-current provisions	29	29	(0.3)
Non-current accrued liabilities	39	22	79.8
Other non-current liabilities	36	28	31.8
Total non-current liabilities	2,087	2,263	(7.7)
Share capital	209	209	–
Reserves	563	212	167.1
Retained earnings	3,844	3,350	14.7
Shareholders' equity	4,616	3,771	22.4
Non-controlling interests	7	5	29.9
Total equity	4,623	3,776	22.4
Total liabilities and equity	10,618	8,875	19.6

Note: Rounding differences may arise in percentages and totals

### Exhibit 3

#### *Reebok production facilities*

Reebok sources all its products only from suppliers who comply with adidas Group work standard norms. To minimize production costs, over 95 percent of the production is outsourced to independent, third-party suppliers. A substantial number of these suppliers are located in Asia.

*Footwear* – Reebok uses footwear factories in 14 countries. Most factories making Reebok footwear are based in Asia – primarily China (accounting for 51 percent of total footwear production), Indonesia (21 percent), Vietnam (17 percent) and Thailand (7 percent). Production is consolidated, with 88 percent of Reebok footwear manufactured in 11 factories, employing over 75,000 workers.

**Table EIII** Adidas AG consolidated statement of cash flows (IFRS)

<i>€ in millions</i>	<i>Year ending December 31, 2010</i>	<i>Year ending December 31, 2009</i>
Operating activities		
Income before taxes	806	358
Adjustments for		
Depreciation, amortisation and impairment losses	270	299
Reversals of impairment losses	(7)	0
Unrealised foreign exchange (gains)/losses, net	(19)	15
Interest income	(23)	(16)
Interest expense	112	138
Losses on sale of property, plant and equipment, net	5	23
Other non-cash (income)/expenses	(0)	5
Operating profit before working capital changes	1,144	822
(Increase)/decrease in receivables and other assets	(100)	464
(Increase)/decrease in inventories	(561)	617
Increase/(decrease) in accounts payable and other liabilities	757	(312)
Cash generated from operations before interest and taxes	1,240	1,591
Interest paid	(111)	(131)
Income taxes paid	(235)	(262)
Net cash generated from operating activities	894	1,198
Investing activities		
Purchase of trademarks and other intangible assets	(42)	(46)
Proceeds from sale of trademarks and other intangible assets	17	10
Purchase of property, plant and equipment	(227)	(195)
Proceeds from sale of property, plant and equipment	1	16
Acquisition of further investments in subsidiaries	–	(14)
Acquisition of subsidiaries and other business units net of cash acquired	–	(8)
Purchase of/proceeds from sale of short-term financial assets	(146)	60
Proceeds from sale/(purchase) of investments and other long-term assets	44	(1)
Interest received	23	16
Net cash used in investing activities	(330)	(162)
Financing activities		
Proceeds from/(repayments of) long-term borrowings	33	(508)
Proceeds from issue of a Eurobond	–	497
Dividend paid to shareholders of adidas AG	(73)	(97)
Dividend paid to non-controlling interest shareholders	(0)	–
Exercised share options	–	0
Cash repayments of short-term borrowings	(198)	(404)
Net cash used in financing activities	(238)	(512)
Effect of exchange rates on cash	55	7
Net increase of cash and cash equivalents	381	531
Cash and cash equivalents at beginning of year	775	244
Cash and cash equivalents at year-end	1,156	775

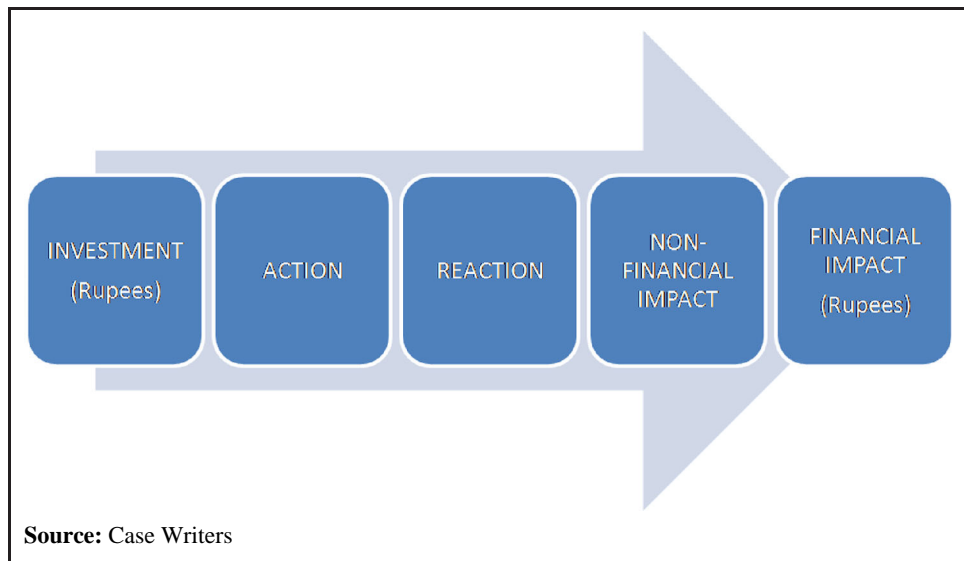
**Note:** Rounding differences may arise in percentages and totals

**Source:** <http://adidas-group.corporate-publications.com>

*Apparel* – Reebok has factories in 45 countries. The process of purchasing products from suppliers is organized by region. Most (52 percent) of Reebok's apparel sold in the USA is produced in Asia, with the rest coming from countries in the Caribbean, North America, Africa and the Middle East. Apparel sold in Europe is typically sourced from Asia and Europe. Apparel sold in the Asia Pacific region is typically produced by Asian manufacturers.

## Exhibit 4

**Figure E2** ROMI effect sequence



## Exhibit 5

### *Questionnaire for Reebok SMM staff*

1. Have you been involved in SMM for Reebok?
2. If yes, which social media platforms have been used by Reebok for SMM?
  - Facebook.
  - Myspace.
  - Orkut.
  - Twitter.
  - Blogs.
  - Others.
3. Which groups have Reebok created/activated on Facebook?
4. How much time does a person spend on your homepage on an average?
5. What kind of activities do you have for followers to participate in via the social media?
  - Gaming.
  - Quizzes.
  - Comments.
  - Blogs.
  - Any other.
6. What kind of information is provided to customers via social media?
  - Products and brands.
  - Schemes available.

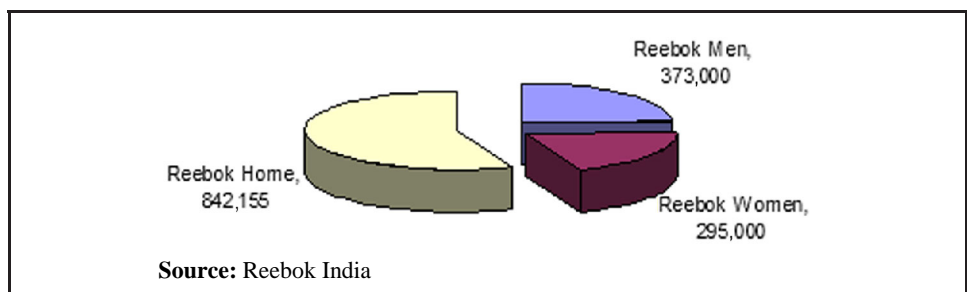
- Entertainment options.
  - Information through wikis.
  - Others.
7. Do followers take information from the social media sites and use it to finalize a purchase?
  8. If yes, how do you know for sure that they have been influenced by the social media site to make their purchase and not from any ATL source?
    - Answer a survey at the retail store.
    - Salesperson asks them informally.
  9. Do you quantify positive mention and negative mention of the Reebok brand on your social media sites?
  10. Do you plot retail footfalls to check if social media is generating traffic to stores or to online stores?
  11. Do you track sales revenues to check if social media is generating transactions at the retail stores or online stores?
  12. Do you track the level of net new customers that have been generated by SMM?
  13. Do you measure any of the store transactional precursors such as?
    - Web site visitors.
    - Blog-to-web site click throughs.
    - Blog comments.
    - Blog visits.
  14. Do you look for patterns in the social media metrics?
  15. How effective in number terms has Reebok's SMM campaign been so far?
    - Sales growth: YOY in percentage.
    - Growth in number of footfalls generated at retail: YOY in percentage.
    - Which category has grown the fastest since Reebok adopted SMM?
    - By how much: YOY in percentage.
  16. If you could do the SMM initiative all over again from scratch for Reebok what would you change and why?

Thank you for your time.

All information will be treated with utmost confidentiality

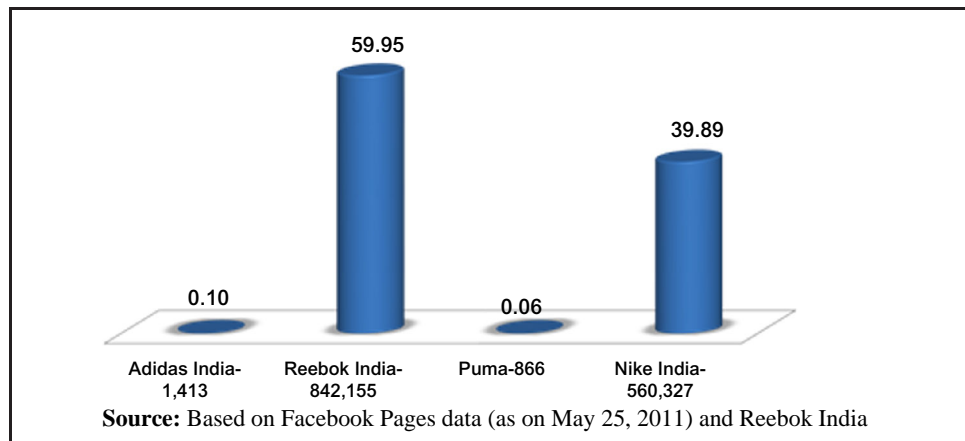
## Exhibit 6

**Figure E3** Reebok Facebook main pages followership (as on May 25, 2011)



## Exhibit 7

**Figure E4** Comparative analysis of sports brand popularity in India



## Exhibit 8

- Commenter (providers of thoughts, opinions, experiences, etc.).
- Conversationalists (participation in conversations through active updating).
- Producers (elite group, content generators).
- Socialites (“weblbrities”, individuals who have “arrived” on the net).
- Egocasters (the evolution of self-promoters, they believe their reality to be the universal reality).
- Social climbers (intentionally climb ladders often misrepresenting their true purpose).
- Trolls (dark siders of the net; people who spark a reaction; often seed inflammatory inputs).

*Source:* Outcomes of discussion with Venkatesh Kothapalli

## Exhibit 9

### *Traditional marketing mix and communications strategy of Reebok India*

One of the major attributes to the success of Reebok’s success has been its retailing strategy. By the end of 2005, the company was retailing from 182 franchised stores in addition to 2,000 multi-brand outlets. “Whenever a style would do well, the company would ensure that we were always well stocked with that style whereas competitors would try and push the entire range of products at the consumer” (distribution aspect of the marketing mix).

A functional issue that was instrumental in aiding the company establish itself early in the country was the fact that Reebok shoes had a broader forefoot, which suited the Indian consumer. In contrast, the shoes of international rivals had narrower forefeet (product aspect of the marketing mix).

When the company came to India, all that the consumers wanted was an international brand of footwear and Reebok gave them that at an affordable price. Today, with sports becoming fashionable, the bulk of the sales come from the \$45 to \$90 segment compared to two years ago when most of the sales would come from the \$20 to \$45 segment. Hence the market and the consumers have moved up the value chain, which is an important sign (price aspect of the marketing mix).

On the promotions front as well the company has increased spend and is roping in top sportspersons to push its brand. Reebok has tied-up with cricketers like Rahul Dravid,

Mohamed Kaif, Yuvraj Singh, Irfan Pathan, M.S. Dhoni and Harbhajan Singh. In tennis, it sponsors the Davis Cup and backs Prakash Amritraj's Tennis Academy. In the upcoming field of motor racing it is sponsoring the fastest Indian Narain Kartikeyan. The brand has also been associated with Narayan Kartikeyan the second Asian in Formula 1 (F1) races (promotions aspect of the marketing mix).

### *Reebok brand positioning*

Reebok marketed fitness as a lifestyle mantra. Reebok always laid greater emphasis on brand building as it always felt brands are here to stay as products get more and more commoditised.

Reebok positioned itself as the fitness enabler in the country – a strategy very unique to Reebok, something competitors could not place themselves in.

Reebok has consistently used glamorous models and actresses such as Bipasha Basu and Scarlett Johansson to market its fitness as a lifestyle theme.

In a clever move, it got the cricketers such as M.S. Dhoni and a whole lot of other big names to carry the Reebok name on their cricketing gear in a guerilla marketing fashion. Even before IPL took off Reebok had sensed that the concept was a sure shot idea to capture the Indian market. And how right this precognition turned out to be was proved in sales of Reebok gear through the five editions of IPL. It even sponsored the gear of many IPL teams, most famous of which was KKR.

### *Traditional marketing channels*

On the traditional marketing front, no communication channel was left out – OOH, print, TV, FM radio, mobile kiosks, road shows, brand shows, catalogue marketing, trade journal marketing, exhibitions and fairs, gyms and fitness salons, fitness certification programs, celebrity endorsements, and sports tournament sponsorships such as the ICC's World Cup Cricket mega event, F1 racing (Reebok was the official partner of Force 1 – India's only F1 team), and sponsorship of club level football teams such as East Bengal and Mohun Bagan, infomercials (DRTV commercials). But Reebok has been most visible in the cricket arena and that has made the BIG connect with India's aspiring athletes, sportspersons, casual runners and joggers and armchair sports lovers.

Below the line promotions involved Reebok distributing 10,000 pairs of joggers free at jogging locations around the country to popularize its run easy campaign.

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