Maintaining the web presence

Learning Objectives

- To understand how to measure the success of a website

Introduction

- The most critical measure is your **bottom line** !! No other measure of Web success means anything if you're continuing to lose money after reaching your projected break-even point.

- Whenever you're in doubt about the profitability of your site, re-evaluate your business basics.

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Adidas jogs ahead in profit race, Puma bleeds in India

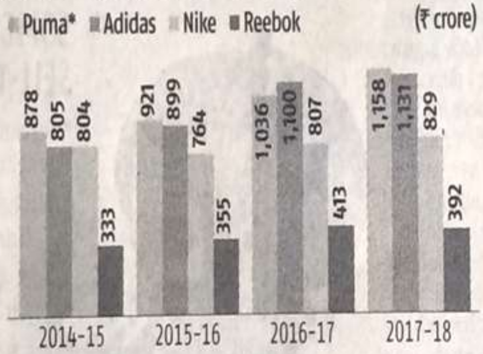
ARNAB DUTTA
New Delhi, 4 March

Adidas has trumped its German sportswear rival Puma in the race to shore up profit in India.

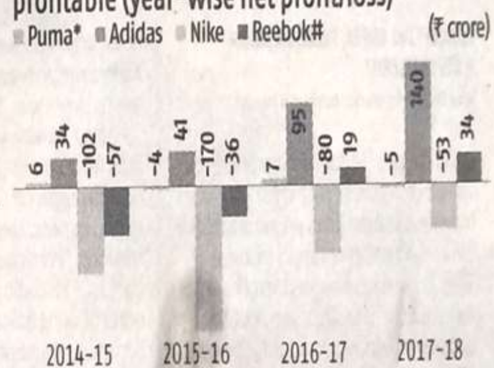
As of December last year, Puma surpassed its closest rival Adidas to become the largest sportswear brand in India but it continues to lose money in the country. The journey of two of the largest sportswear brands — both from Germany — are on divergent paths in the local market. Closest rival Adidas, however, has managed to improve its bottom line in recent years. Group company Reebok India, too, has shown improvement in margins.

BATTLE IS ON

Adidas and Puma are in neck and neck fight in India (year-wise revenue)



But unlike Adidas, Puma fails to turn profitable (year-wise net profit/loss)



* Puma's numbers are for CY2015, CY2016, CY2017 & CY2018, respectively; # Reebok India is a subsidiary of Adidas Group in India

Source: Registrar of Companies

During the last two years, Puma has managed to grow its business steadily. And it overtook Adidas by posting ₹1,157 crore revenue in the calendar year 2018 — 12 per cent higher than the previous year. In 2017, the firm grew its business by 12.5 per cent. However, data available at the Registrar of Companies show, Puma posted ₹5.2 crore net loss and ₹7.2 crore net profit in 2018 and 2017, respectively. The company follows a calendar year format for financial reporting.

In the last two financial years, Adidas' top line growth remained unstable. While in 2016-17 its revenue grew 22.4 per cent to ₹1,100 crore, last year its business remained flat at ₹1,131 crore — 2.8 per cent higher year-on-year. The firm's profitability, though, improved significantly. From Rs 34 crore net profit in 2014-15, Adidas' profit after tax has grown to ₹140 crore in 2017-18. In the past four years, Adidas' net profit margin jumped three times to 12.4 per cent — highest among rivals. Group firm Reebok India, which was in the red till 2015-16, has improved its margins too. It turned profitable in 2016-17 and a year later improved its net profit margin to 8.7 per cent despite a dip in sales.

Puma's troubled bottom line is a reason to worry. It was in the red for two of the last four years, but it is not uncommon in the local market though. The third largest player, Nike, has suffered heavy losses in recent years.

After faltering in 2016-17, Nike's revenue in India grew in 2017-18 to ₹829 crore. But its bottom line remained in the red. In 2017-18, Nike posted ₹52 crore net loss. However, the firm has reduced the amount of money it is losing every year since 2015-16 — from ₹170 crore net loss in that year. Italian-South Korean sportswear brand Fila, currently the fifth largest player in India behind Reebok, posted ₹12.3 crore net loss last year — lower than ₹13.7 crore it posted in 2016-17. The firm's revenue, however, grew by 34 per cent. At a time all major MNC sportswear companies have struggled to improve their margins, mostly due to a price-sensitive local consumer base, the latest numbers reflect Adidas' strategy to weed out non-performing stores and focus on larger and profitable outlets. The accounting fraud at Reebok India in 2012 had forced the Adidas group to overhaul its operations.

Despite the company's prominent presence in large markets such as Mumbai, Chennai, Delhi and Bengaluru, sales growth at Adidas remained either in single digit or low double digit between 2012-13 and 2015-16. The net profit margin was stuck between 1.88 per cent and 4.78 per cent. But that was also the time when the turnaround began.

Soon after taking charge in 2014, Dave Thomas, managing director of Adidas India, was puzzled by the trend of low margin. "It became evident that while earlier smaller stores were selling products and were considered low risk propositions by Indian partners, it was a drag on our business. So, we decided to shut down many of the smaller stores and replace these with larger ones. Today, larger stores, with wide ranges and separate product sections, offering a world-class buying experience, are lifting our business. People stay longer in these stores, the chances of conversion go up and so is the average ticket size," Thomas had said in September.

Adidas also parted ways with many local partners who were not aligned with the new plan. Despite flat growth in store count, the weeding has resulted in bigger store space.

PUMA LEADS THE PACK, BUT BLEEDS IN INDIA

As of December 2018, the German sportswear brand has surpassed its closest rival Adidas to become the largest sportswear brand in India, but it continues to lose money in the country. The journey of two of the largest sportswear brands run on divergent paths in the local market. During the past two years, Puma has managed to grow its business steadily.

ARNAB DUTTA writes

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Royal Enfield fails to rev up volumes, worst among peers

Higher costs, strike at its Oragadam factory, and weak demand led to the sharp fall

RAM PRASAD SAHU

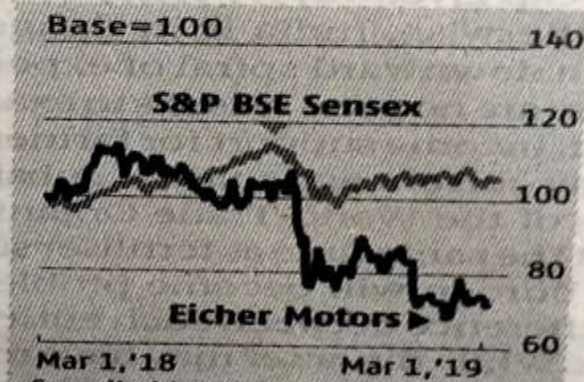
With volumes down 14 per cent in February, compared to the year-ago period, Eicher Motors' two-wheeler numbers were the worst among listed peers.

Led by domestic volumes which were down 16 per cent, the year-on-year (YoY) fall in sales was the worst in over five years. One of the reasons for the drop was a strike at its Oragadam facility in Tamil Nadu, which hit production of 3,200 units.

However, operations are back to normal after the nine-day strike. Analysts say that even after adjusting for loss in production, the supplies to distributors have been on the weaker side.

With sufficient plant level inventory, the company could have dispatched more vehicles if there was demand for it.

In fact, experts believe the dealer inventory on a month-on-month basis has marginally increased.



Compiled by BS Research Bureau

The issue for the two-wheeler market, especially for Royal Enfield, is the higher prices of units.

The company has been taking price hikes to adjust for cost increases on account of higher insurance cost and implementation of new emission and safety systems.

The cost of the product is estimated to have increased by about 14 per cent and this has led customers to defer their purchases.

The company should see some relief once other companies transition to the safety norms by April 2019 and therefore, take price hikes. The pressure on volumes is the highest in Gujarat, Kerala, Andhra Pradesh, Telangana, and Delhi, say analysts at Elara Capital.

The Street believes that volume growth, which is 3 per cent higher for the financial year-to-date period, will continue to be under pressure on the back of feeble demand.

Most analysts are expected to revise their estimates downwards for 2018-19. Haitong Securities says that slowing sales growth could erode the valuation premium the company has over its peers.

At the current price, the stock is trading at 20 times its 2019-20 estimates, which is at a 25 per cent premium to peers Bajaj Auto and Hero MotoCorp. Expect the stock to stay weak in trade on Tuesday.

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Tata : -18 %
Ashok Leyland: -4%
Eicher Motors: -7.8%
M& M: -17%

CV sales in last 4 months slip, but industry bullish

T E NARASIMHAN
Chennai, 6 March

For the last four months, commercial vehicle (CV) sales have seen a persistent fall but industry officials argue that the numbers are not comparable since the previous year's base was high.

Despite all the hardships during the last two quarters — slowing economic activity, high interest rates, lag effect of implementation of revised axle load norms, slowing industrial output and declining IIP growth — the industry is hopeful that it will see a robust growth soon. For instance, it is hoping for a 15 per cent growth in the truck segment in fiscal year ending March.

Tata Motors' M&HCV volumes declined sharply by 18 per cent year-on year (Y-o-Y) in February, while Ashok Leyland sales in the same segment contracted 4 per cent. Eicher Motors and M&M's M&HCV sales also fell 7.8 per cent and 17 per cent, respectively, in the same month.

Girish Wagh, president, commercial vehicles business unit, Tata Motors, said while M&HCV sales declined, the tipper segment, on the other hand, continued to witness a strong growth of 22 per cent on the back of road construction, irrigation and affordable housing projects.

Satyakam Arya, managing director (MD) & chief executive officer (CEO), Daimler India Commercial Vehicles, said he sees certain repercussions of the liquidity crunch, and the revised axle load regulations that have led to an increase in available transport capacity.

Industry is hoping for a 15% growth in the truck segment in financial year ended March

The company also sees some customers postponing buying decisions ahead of the elections as they await more clarity whether policy changes may influence their business models.

He said the momentum from infrastructure projects is very much there, which is resulting in strong demand for construction trucks.

The first half of 2019 is expected to be slow while the second half should see a push once pre-buying for BS-VI kicks in.

Better 2018-19 vs 2017-18

Anuj Kathuria, president-global trucks, Ashok Leyland, the country's second largest CV maker, said the current numbers are not comparable. The first half of last year's numbers was only 50 per cent of the second half. During the first half, buying was minimal due to BS-IV transition and GST-related challenges. Unlike last year, this year's growth will be spread evenly. He is optimistic that total industry volume would be 3.70 lakh units in 2018-19 against 3.25 lakh units during the same period last year.

"Our belief in medium and long-term growth of the CV industry continues to be strong," added Arya.

Re-evaluate business basics

- Review and revise your **marketing plan.**
- Take another look at prices
- Revisit your decision about selling online versus offline, or both
- Review your onsite, online, and offline promotional activities according to the principles learnt. Are you driving the right people to your Web site?

Marketing Plan

A written document which provides a summary of what the marketer has learnt about the marketplace and indicates how s(h)e plans to achieve her/her objectives confronting to marketing.

Contents of a marketing Plan –

(i) Executive summary
- goals, recommendations

(ii) Table of contents

(iii) Situation analysis
- recapitulation of data on bottom line, top line
- market characteristics (size, definition, growth rate)
- information regarding competitors, macroeconomic factors
- information about product like its USPs, price, etc.

(iv) Marketing strategy
- mission, marketing & financial objectives
- needs of targeted market to be satiated
- plan as per the competitiveness of the product in the concerned product line

(v) Planning projections
- sales forecasting, break-even-analysis, expenses analysis

(vi) Implementation controls
- monthly/quarterly goals, budget, in the purview of previous sales results
- adjustment(if any) on account of price wars, lock outs, natural calamities etc.

Reaching Out to Your Customers

Your customers and prospects are the best experts at closing the marketing circle! There are lots of ways to gather information:

- Drop a business reply card into your shipment.
- Add a survey to your Web site.
- Ask callers what they think.
- If you have a bricks-&-clicks operation, ask people who come into the store what they might like to see on your site.
- Monitor complaints about your site that are sent to the Webmaster.
- Tally customer service requests for products or problems with order fulfilment.
- Drop into your blog, message board, or chat room at random times to see what's happening.
- Make it easy for customers to send you new product ideas or comments on current offerings.
- If you allow reviews on your own site, read them.
- Schedule time to check professional reviews or user ratings on sites

Rewriting Your Marketing Plan for the Future

- Every company needs to pay attention to what’s happening around it.
- Changes in competition, the business landscape, Internet technology, and legislation might all affect your bottom line.
- Every year, pull out your online marketing plan and adjust it to accommodate the changes you see around you.
- Keep your antennae tuned to your own business sector and to the Internet overall.

Put Your URL on All Stationery and Packaging

- There’s no added cost to include your URL, *YourDomain.com*, on absolutely every public piece of paper that leaves your office: business cards, letterhead, invoices, packing slips, presentation folders, marketing collateral, spec sheets, and press releases.
- Be sure your URL appears in all advertising, whether promotional items, print, radio, billboard, or TV.
- And of course, include it on all forms of packaging: cartons, labels, lids, bags, wrapping paper, ribbon, tissue, and any other containers