

## SHOPCLUES PRIVATE LABEL BUSINESS PLAN AND STRATEGY

Nitin Sethi, Head of Business at Shopclues.com was looking at the sale numbers for last few quarters. The analytics team was seated all around him waiting to answer any question that he may raise as he went through the numbers in preparation for the investor meeting in 2 weeks.

Nitin was carefully evaluating the growth that the company had seen over the last 4 quarters and an obvious trend was emerging. The categories that had grown fastest & highest in the last 12 months were mostly unbranded and unstructured in their behaviour. The overall unorganized market had remained more-or-less stagnant for all categories within the country, and yet, the numbers for the unstructured categories had grown remarkably on the portal.

With intense competition from other online players, he realised, competing in branded categories was going to prove to be a big challenge. The company was already finding it difficult to compete in the branded space and the numbers were starting to reflect that.

**Nitin:** “Guys, let’s look at overall business numbers for the key business categories”.

**Abhishek:** “Electronics overall has grown roughly 15% for the year, however Mobiles + Laptop Accessories has seen a major improvement of 130%. Home categories have grown well, at about 30%, with a lot of the growth centred on Home Furnishing, which has grown 78% and Kitchen Appliances which has grown 45%. Fashion category overall has also grown tremendously. Overall Fashion has grown 60%, with footwear and ethnic wear leading the charge, growing at 80% & 75% respectively.

Nitin stood up and started pacing in the room. He realised that, while, margins for these categories were definitely better than branded products, customer experience may not be ideal. NPS for the website might be going down, and repeat rate could get affected in the long run. Even if only some of the customers start getting bad products, they could start escalating on social media and create a nightmare for the organization. Though we are seeing good growth in these categories, it is absolutely essential to maintain a good customer experience. This market is unique and a good opportunity to differentiate ourselves from the competition.

He knew well that he would need to have a clear cut strategy to solve this problem because it was going to be the biggest discussion point with the investors. They would definitely not want to risk customer experience or NPS. Business loss would not be an option either.

**Nitin:** “Get me the category heads of Accessories, Footwear, Ethnic Wear and Home Furnishing & Kitchen Appliances. We need to finalize a plan, and we need to move fast”. He was seriously worried.

## Excerpts from the multi-category meeting

Date: 04-July-2017

*Meeting attended by Nitin Sethi (Business Head), Sameer (Accessories), Vijay (Kitchen Appliances), Gauri (Ethnic Wear), Ranvijay (Home Furnishing) & Rohit (Footwear)*

Nitin: "Guys, great work on the business improvement over last couple of quarters. We are seeing a good uptake on orders, and therefore the number of customers that we are reaching. Even bottom-line is improving steadily. I think we are moving in the right direction. However, the categories you are dealing with are too unorganized!! It's really difficult to control the after-sale experience because of the nature of the assortment available. There are too many variants of the same product available in the market! How do we control this? We could have a situation very soon where we have very high business but the customer satisfaction goes completely for a toss"

Sameer: "We are brand aligned for some of the top brands and..."

Nitin: "How much do the recognized brands contribute in your portfolio?"

Sameer: "About 10%".

Nitin: "Exactly! I am more worried about the other 90%, and that is something we should be concentrating on! We need to ensure that the after sales service is good & the quality of the product which is being shipped is excellent".

Sameer: "You are right Nitin, but the challenge lies in the huge number of sellers that we have to deal with. It is difficult to control such a huge merchant base & huge selection".

Gauri: "I agree. There are total 60 Lakh products listed in ethnic wear, and more than 60% of them are unbranded. It is impossible to physically verify the quality of all of the products".

Nitin: "Hmmm... I see your point, but I still think we need to come up with a sure-shot way of verifying the quality".

Rohit: "I can consider shifting the entire business to known brands. At least then we can be sure about the quality and after-sales service in this respect".

Nitin: "How much would you be able to sell in that scenario?"

Rohit: "I can easily expect the sale to drop by 40-60%".

Nitin: "Then obviously that is not a practical solution. Come on guys we need to think outside the box to solve this one. You guys need to have an answer"

Ranvijay: "Nitin, this is really difficult. It is difficult to control the merchants, and we have no control over the brand."

Sameer: "Wait wait why can't we? Why can't we create a brand name that we control and address a bulk of the unstructured market? We can control the after sales service and customer experience. We have different departments and each of them can work towards their strengths. With continuous effort, we may be able to move a significant volume of business into our label."

Nitin: "Creating a brand is not easy! We will need to really think this through. I think you all will need to collaborate and work on this. Initially, we should start with just one category. You have all the data, please analyse and come up with one category which we should start with. Sync up with the other departments and incorporate their views. I am expecting a 5-slider implementation/positioning plan to reach my inbox in a week. If the plan is good, we will start executing. Try to cover as much as possible – such as barriers to entry, positioning, pros and cons of this setup etc. I am sure you are smart enough to think of other important points, and how to package all of this together and present it creatively".

## **Additional Information:**

# **CUSTOMER PROFILE**

## **Electronic Accessories**

- A college going boy or a young working man is our ideal customer
- He hails from a Tier 3 or below city
- He is a deal-seeker, buying online only when he finds a better deal, but is slowly becoming an online loyalist
- Audio devices are most essential while Power Banks, Storage Devices and Mobile Accessories are also necessary for him
- He loves the low prices on Shopclues. Cash on Delivery and Product Selection also prompt him to buy from the site
- However, he browses through Flipkart and Amazon before making his final decision
- Brand, Price and Looks are the most important criteria influencing his purchase
- A good brand at the lowest price is what is seeking, but is willing to pay slightly more if he is convinced about the brand and the quality it delivers

## **Kitchen and Dining:**

- ShopClues Kitchen and Dining customers are majorly Male from Tier 4 cities followed by Metros, aged between 25-34 with 69% of them married and earning between 20,000 and 40,000 per month
- They usually shop for Kitchen Tools and also purchase Kitchen and Dining items from Amazon and Flipkart, closely followed by Snapdeal with an inclination towards branded products
- They prefer to shop offline at Big Bazaar
- They like to visit ShopClues because of low prices & discounts and prefer buying complimentary products
- In Kitchen and Dining, they are looking for Quality, Price and Brand

## **Home Furnishing:**

- ShopClues' Home Furnishing customers are majorly Male from Tier 4 cities followed by Metros, aged between 25 and 32, with 69% of them married and earning below 20,000 per month
- They buy bedsheets the most and also purchase Furnishing items from Amazon and Flipkart, followed by Snapdeal.
- Their most preferred offline store is the store near their Home and Big Bazaar  
Brand focus is higher for Bedsheets and Mattresses
- They like to visit ShopClues because of discounts and prefer buying complimentary products
- They like to buy trendy products with a good quality

## **Women's Fashion (Lifestyle & Footwear)**

- The ShopClues Women's Fashion consumer is a 23-35 yrs married female, working professional or housewife residing in metro city with an income between Rs. 20,000-40,000.
- She prefers to shop online due to the convenience and variety and also shops from Flipkart and Amazon.
- She is brand conscious but values good designs and fit at a great price. Her favourite brands are Big Bazaar and Biba for their quality and variety

- She likes to follow fashion trends and buying the latest fashion trends is moderately important to her. However, good design is very important to her.
- In a fashion product, she looks for great design, fabric quality, fit, and price.

### **Men's Fashion (Lifestyle & Footwear)**

- The ShopClues Men's fashion consumer is a 23-35 year old Male, working professional or student residing in metro city with an income <Rs 20,000.
- He prefers to shop online due to the convenience and discounts and also shops from Flipkart and Amazon.
- He is moderately brand conscious but values quality at a great price the most. His favourite brands are Levis, Nike, and Puma for their quality and designs
- He likes to follow fashion trends and buying the latest fashion trends is moderately important to him.
- In a fashion product, he looks for great fit, quality and design.