

Ebags is the worlds
leading online retailer
luggage marketing
essay



**ASSIGN
BUSTER**

EBags is the world's leading online retailer of luggage, handbags, business cases, backpacks and accessories for all lifestyles.

eBags features more than 36, 000 products from over 520 brand names such as Vera Bradley, Samsonite, Tumi, The North Face, Dakine, JanSport, Kenneth Cole, Kathy Van Zeeland, kate spade, Fossil, Samsonite, Vera Bradley, kate spade, Fossil and Nike. .

Number 117 on the 2010 Internet Retailer Top 500 Guide, eBags is the world's leading online provider of fashion and functional luggage, handbags, business cases, backpacks and accessories for

To date, the company has sold 7. 6 million bags worldwide.

The Luggage Industry

In 1990's, the luggage industry comprising of both manufacturers and retailers was quite fragmented. In case of manufacturers it was due to outsourcing and in case of retailers it was due to increase in the number of departmental stores, discount stores, factory outlets etc. This led Jon Nordmark to think of eBags as an innovative idea in the field of e-business.

How It All Started

In 1998, Jon Nordmark ventured with four other people to start an online luggage and travel store. These four people were executives of major companies like Samsonite and American Tourister (Organization Structure shown in Figure 1)

Each put in an amount of \$50, 000 to start

The company completely broke in late 1998. But in January 1999 Benchmark Capital, a Silicon Valley venture capital firm decided to support and a total of \$6.8 million was invested

eBags.com was officially launched in March 1999. And by November it raised funds of over \$30 million. They increased the brand offerings from six to fifty six

eBags was able to sustain the 'tech bust' of 2000 with plenty of funds and 2001 marked the turning point for eBags

In 2004, eBags became the largest online provider of bag

A B2C E-Business Model

eBags can be categorized as a pure-play e-retailer as it provides products and services only through the internet. It can also be called as a virtual merchant. And it has been one of the success stories in the B2C business environment through careful planning and perseverance.

Customer Value Proposition

Some special features of the eBags site are as follows

Customer Info is Always Confidential-Confidential by Customer Request

Live Customer Service Rep.

Available 24 Hours a Day

Online Order Tracking System

Online Ordering Shopping Cart

Secure Ordering/Payment

Search on Site

You Must Register

Gift Services

One-Click Ordering

Guaranteed Security (See Figure 2)

Customer Reviews

eBags has a B2C model where the whole model is dependent on the customer. So the model would be successful if the customer likes it, and vice versa. This can be achieved by focusing three important capabilities:

On time deliveries

Good customer support

Simple user interface so that the customers would like to come back and buy again

Analysis

To find out the customers' perception of the site I browsed through various reviews made by customers on the site www.bizrate.com. BizRate has rated eBags as 'outstanding' based on the reviews of over 275000 customers in

all three capabilities: delivery, customer support and ' would you like to shop here again'.

From the ratings it can be concluded that the management team of eBags has certainly catered to the customer needs and provided what they wanted. (See figure 3) eBags has also gained a number of awards, which are listed in appendix 2.

Business Model

eBags wanted was an attempt to create a shift from the traditional business model to a new one in which the customer would come closer to the manufacturer by bringing them to an on-line store. It would act as a link between the customers and the suppliers.

Suppliers

In order to achieve this objective, the first step was to create a healthy relationship with major manufacturers. eBags marketed itself to the suppliers by stressing that it would serve as a tool to bring a wide range of customer segments closer. In addition to that, on-line stores would shorten the supply chain leading to a significant reduction in inventory, which would ultimately save money.

In order to eliminate inventory-holding costs, eBags has adopted the drop-ship model for the suppliers (see Figure 4). In this model, the inventory is held at the distributor or the retailer level. And when a customer order is placed through the eBags website, the vendor would ship to the customer

directly. This model would help get rid of the risk of inventory obsolescence since luggage industry is more driven by style.

Customers

And to reach the customers, eBags built a simple but effective website which helped to market its products based on demand and availability. The main selling factor was that eBags was able to bring a variety of products in one place. Other advantages would include:

People would not have to spend time and money travelling to different shops to search for luggage of their choice

Customers could search by brand names, luggage type etc.

More convenient as customers would have the product delivered on their doorstep

Competitors

eBags specializes in selling bags with a wide range of collection. A competitive position of eBags with respect to its competitors is plotted in Figure 5 (as on May 2008). It is evident that there are no companies that are no companies that which can give a tough competition to eBags.

Marketing Strategy

A lot of marketing strategies have been used by eBags to attract potential customers from going somewhere else. Some of them are explained below.

eBags Rewards Club

When a customer buys a bag from eBags. com and joins the eBags Reward Club, he/she is eligible to gain points on every purchase. The reward system is as follows and the best part is that it is free.

5% of the total amount is converted to points (e. g.: \$1000 order equals 50 points)

And each eBags Rewards Club will be converted to one dollar at checkout (See Figure 6)

eCoupons

With the help of eCoupons, eBags tries to revive the interest of potential customers. With these coupon codes, buyers get the opportunity to get the bags they want at a lower price. An example of an eBag coupon is shown in Figure 7 where the customer has redeemed a coupon. It is similar to the promotional codes used by eBay.

Revenue Model

eBags gets 85% of its revenue by selling goods to the customer. eBags has perfected its drop-ship order fulfillment process by which it earns more margins. While the other 15% comprises of revenues derived from affiliate programs. Anyone can join eBags' affiliate program, and the affiliate will be paid commission of 9% on the sale. The working process of affiliate programs is shown in Figure 8. The commission structure is shown in Figure 9.

Conclusion

To sum up, Jon Nordmark came up with a creative idea of defragmenting the luggage industry in the year 1999. In my opinion, he made a clever decision of tying up with executives of big companies like Samsonite and American Tourister, Although his idea didn't turn out to be profitable for the first two years, he stuck onto his vision without giving up. He was able to survive the next two years with the help of sufficient funding and the year 2001 marked a turning point for eBags.

eBags is a stunning work of a good business model coupled with great customer support. The business model helped eBags bring the customers closer to the manufacturers. In addition, it helped them reduce inventory costs, which would be significant, incase of bulky product like luggage.

The simple design of the website, free returns and price made it easier for the potential customers to trust the system and come back to shop again. It is evident from the customer ratings by [www. bizrate. com](http://www.bizrate.com) that eBags has become one of the most popular and trusted online store which specialized in selling luggage.

Appendix 1- Figures

Figure 1. Organization Chart

Figure 2. eBags Shop with Confidence

Figure 3. eBags Customer Rating

Figure 4. eBags drop-ship order process

Figure 5. eBags Competitors

Figure 6. Rewards Club

Figure 7. eBags Coupons

Figure 8. Affiliate Program Working

Figure 9. Affiliate Program Commission Structure

Appendix 2- List of Awards

Gold, Consumer Specialty Products (Web Channel), MCM Awards, 2008

Website of the Year, MCM Awards, 2008

Mystery Shopping Study, E-Tailing Index, The E-Tailing Group, 2008

Retail Customer Experience Study: eBags 9th out of 300 eTailers

Gold, Consumer Specialty Products (Web Channel), MCM Awards, 2007

Fusion Award, Pure Play E-Commerce Operations , RIS News, 2007

Circle of Excellence Second-Time Award Winner, BizRate, 2007

Website of the Year, MCM Awards, 2006

Gold, Consumer Specialty Products (Web Channel), MCM Awards, 2006

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Community Service Award, Travel Goods Association, 2006

I. MERHANT OF THE YEAR, Catalog Age

Gold, Consumer Soft Goods Category, Catalog Age

Marketer of the Year, Colorado AMA

Rocky Mountain Portal Award, Rocky Mountain Portal

Gold Peak Catalog, Colorado AMA

Internet Retailer's Best of the Web

Internet Retailer , Internet Retailer chose eBags. com, Inc. as best of the web
2004

Entrepreneur of the Year - Rocky Mountain Region

Ernst & Young , Ernst & Young Entrepreneur Of The Year® is the world's
most prestigious business award for entrepreneurs.

Website of the Year, Catalog Age

E-Commerce Initiative Award of Merit, Colorado Software and Internet
Association

Circle of Excellence, Bizrate. com

2002 Company to Watch, Denver Post

Denver's Best Startup, 5280 Magazine

Website Of The Year, Catalog Age

Best of Show, eTravel World Awards

Best Email Marketer. Email Excellence Awards

50 Essential Web Sites , Conde' Naste Traveler