

Ebags case study

Education



eBagsCase StudyBUSI: 2003 Operations Management 11/16/2012 The eBags Corporation The purpose of this paper is analyze the business operations of the eBags Corporation, and provide recommendations for both the European luggage market and footwear industry based on current strengths and weaknesses eBags demonstrates. Through research and analysis, as a group we will map out the managing growth of the eBags Corporation. eBags is known for their innovative breakthrough of one stop shopping for luggage such as traditional travel bags and suitcases in addition to travel accessories like handbags, computer cases, and briefcases just to name a few.

Operations management is a key component to the success of the eBags Corporation, and eBags has demonstrated innovative and cost effective business strategies by utilizing cross functional teams within their organization. With business growing, eBags has been able to increase their manufacturers from 10 to 300 and product lines increasing from 1000 Stock Keeping Units (SKU's) to over 15, 000 SKU's (Schroeder, Goldstein, & Rungusanatham, 2011).

Due to the level of success eBags has accomplished they were able to create the eBags product line to consumers seeking low end luggage at an affordable price; the private label consisted of 1000 SKU's held in a warehouse in Dallas, TX (Schroeder, Goldstein, & Rungusanatham, 2011) With desires of expanding their business eBags faces a number of hurdles in deciding which line of business will best suit their organization, their suppliers and manufacturers, their customers, all while generating the highest profit for their company. eBags Current Product Flow Process Analysis

To maintain competitive in today's market companies need to implement effective process flows. With options such as assembly lines, continuous, batch flow, and job shop it is important for companies to choose the option that is best going to fit both production needs and budget constraints. Making the wrong choice for the product flow process can be very costly for any company; however, implementing the right process can reduce costs and speed up production time. The purpose of eBags is to create one stop shopping for luggage needs and in order to do so a wide variety of products should be available to their consumers. Bag and their manufactures use a made to stock order fulfillment process, and with various manufacturers and the eBags private label produced, eBags felt best to utilize the batch flow or batch production product flow process. This allowed products to be produced in lower volumes while still offering consumers a wide variety of products to choose from. By utilizing the batch flow process, it requires the use of general purpose equipment that does not specialize in making one specific product, which if loaded to full capacity could create a jumbled flow of products (Schroeder, Goldstein, & Rungusanatham, 2011).

In order to maintain accurate inventory levels, eBags created the eBags Partner Network (EPN) which allows for the manufactures to post up to date product information to consumers ensuring that discontinued items don't show available for purchase and consumers know the time needed for back order fulfillment. Analysis of eBags in the Footwear Industry and Recommended Product Flow Process Based on Type of Customer Order

With such success rates in the luggage industry, eBags saw an opportunity to expand their business into foreign terrain, the footwear industry. With the

footwear industry being a well known fragmented market, like the luggage market, allowing for flexibility to produce various different styles, designs, qualities, sizes, and colors while maintaining a competitive price. According to Schroeder, Goldstein, & Rungusanatham (2011), the footwear industry is three times the size of the luggage industry, so venturing into this market would not be an easy task.

Some of the challenges that eBags faced in this market that they did not in the luggage market included: making consumers aware of the ability purchase footwear through an online channel and consumers generally want to try their shoes on to make they are getting the right product before purchasing (Schroeder, Goldstein, & Rungusanatham, 2011). However, eBags identified that if they could overcome the hurdles associated with this market they could expand even further with apparel and clothing which Schroeder, Goldstein, & Rungusanatham (2011), described as the largest online retail market.

With hopes to exploit the footwear industry with one stop shopping, eBags should continue to utilize the batch flow process for their product flow process of footwear. With the footwear industry being similarly fragmented to the luggage industry, by using the batch flow process eBags will be able to produce at low to medium volumes allowing for an equally wide line of products to choose from. This will allow customer to order multiple pairs of shoes simultaneously so they can try them one and decide which pair is going to best fit their style and comfort needs.

With this approach, eBags can also implement the EPN with footwear manufacturers to ensure that up to date products are available eliminating

issues of consumers trying to order out of stock or discontinued merchandise. Analysis of eBags in the European Luggage Market and Recommended Product-Process Strategy According to a 2002 report, “ 190 million internet users had spread across Europe and surpassed the 165 million internet users in the United States” (Schroeder, Goldstein, & Rungusanatham, 2011, p. 513). Expanding the current line of business would be safe and effective business strategy for eBags with minor hurdles to consider.

The luggage industry is not a foreign concept for eBags, so to be able to expand their products into the European market would require similar business strategies that they are currently using. No one consumer is the same therefore their product needs, including luggage will generally not be the same. The goal is to create one stop shopping for consumers in the European market for their luggage needs and in order to accomplish this, eBags will need to provide a variety of products and lines for their new customers to choose from.

Some of the issues that eBags faces, according to Schroeder, Goldstein, & Rungusanatham (2011), are language barriers involved in international shipping, shipping requirements, brand awareness, and maintaining the EPN. To overcome the hurdle of international shipping, eBags can create relationships with manufacturers domestic to the European market. eBags will be able to incur the cost of shipping without having to pay the expenses associated with international shipping unless they made their private label available to the European market.

Also, this will allow eBags to mirror the drop ship model that contributed significantly to the success of their organization. To achieve the success eBags is looking for in this market, it is recommended that eBags continues to utilize the batch flow process for product flow. This also allows for incorporation the EPN into the new market still allowing for their consumers to have up to date product information. This process will continue to meet the business needs of the luggage industry by producing at low volumes but offering flexibility to accommodate products that meet the low, middle and high end of the market.

As with the American luggage industry, eBags products will use a made to stock order fulfillment and the manufacturer will be able to control the inventory by using the EPN. Customer Contact Matrix Analysis of eBags: Strengths and Weaknesses of eBags Processes The level of customer contact for eBags is low which puts them at the high end of a buffered system and the low end of the permeable system on the customer contact matrix. The eBags website is set up to help consumers be self sufficient during the ordering process from beginning to end, and because there is no interaction involved their customer service is buffered.

In the event the consumer needs additional assistance, they can call the customer service center and the phone interaction would fall under permeable on the customer matrix. This can be considered as strength for eBags because “ separating the customer from the service production system allows for greater standardization of processes and therefore better efficiency” (Schroeder, Goldstein, & Rungusanatham, 2011, p. 91). eBags is

able to focus their attention on product production and quality management of their products without having consumer interruptions.

This is what Schroeder, Goldstein, & Rungusanatham, (2011), refers to as variability from uncertainty, specifically arrival variability. With a made to stock fulfillment, consumers use the eBags website to choose from preselected inventory decided by the manufacturer. This process is also built to have low level customer contact to eliminate the request variability, which puts eBags at the advantage of having a high efficient system because orders are completed away from the customer. Weaknesses with a low level customer contact causes eBags to miss out additional business opportunities. According to Schroeder, Goldstein, & Rungusanatham (2011), high customer contact allows for opportunities to up-sell the customer with accessories or additional sale items in creating more revenue for the company. If eBags entered the footwear industry, eventually expanding into apparel and clothing, they will miss out on great deal of potential revenue. Secondly, consumers who have difficulties navigating through the eBags website will cost eBags a sale resulting in loss of business.

Analysis of eBags Use of Technology in Providing Competitive Customer Service Technology is vital to business of eBags as all of their business transactions occur through the internet, so it is important that eBags employs a high skilled technology department to ensure business runs smoothly. The systematic technology used allows the consumer to filter their results by type brand, features, color, price, by size, etc, making it easy and quick to find the right product (Horwitt, 2011). To enhance the customer

experience eBags has invested a great deal into the online shopping experience for their consumers.

According to PRNewswire (2012), eBags has implemented the FreeFlow system, which has allowed them to provide better rich product information to their consumers with limited interruptions in website downloads. eBags also incorporated what is referred to as ColdFusion software, which will create the ultimate customer experience by creating personalized stores for their consumers (PRNewswire, 2012). The personalized store will track the customers spending habits and provide product recommendations based on previous purchased items. Another important way the internet is used to provide competitive customer service is through the EPN.

The EPN is a way to connect the consumer with up to date product information, and with the scorecard system the manufacturers can track product sales, returns, and customer feedback (Schroeder, Goldstein, & Rungusanatham, 2011). Analysis of eBags' Use of Three Aspects of the "Philosophy of Lean" Lean business practices are important to corporation survival in today's business market. Companies are looking for ways to stay in business by bringing new products to the market with faster delivery times and higher standards of quality.

In order to stay in competition with the surrounding market most of today's businesses have incorporated lean thinking into their business practices by adopting some if not all of the five lean tenets. The five tenets are: 1) what about product or service creates value, 2) improve value stream for each product or service, 3) flow within a process is simple, smooth, and error free,

reducing waste, 4) produce only what is pulled by the customer, 5) strive for perfection ((Schroeder, Goldstein, & Rungusanatham, 2011).

The first tenet that eBags demonstrates is creating both a product and a service that adds value for their consumers. eBags carries a wide selection of products and labels to choose from all while offering their customers the convenience to one stop shop from anywhere with an internet connection. This has saved eBags' customers time and money from having to travel to a retail store that may or may not have what they are looking for.

According to Schroeder, Goldstein, & Rungusanatham (2011), this lean tenet has allowed eBags to compete on product breadth, selection, and convenience instead of price. The second tenet that eBags demonstrates is improvement of value stream mapping by incorporated the drop-ship model, which is another way putting the customer in contact with the manufacturer by eliminating the middleman. With the customer orders going directly to the manufacturer, eBags was able to eliminate the middle man (retail merchant location), and create a direct customer-manufacturer relationship.

The visual representation described on page 509 of Schroeder, Goldstein, & Rungusanatham (2011), shows the customer placing their order on the eBags website, eBags then sends the order to the manufacturer electronically, the manufacturer ships the merchandise to the customer, eBags provides the customer with the shipping tracking number and customer is billed for the merchandise, the manufacturer sends eBags an invoice, and finally the manufacturer is paid.

The third tenet seen by eBags is the creating simple, smooth, and error free process flows that reduce waste, which can be seen through the incorporation of EPN. Because this system allows the manufacturers to control inventory levels eBags has been able to avoid any waste associated with inventory costs and reduce overhead costs. Also, according to Schroeder, Goldstein, & Rungusanatham (2011), eBags was able to effectively market their products by removing items that were out of order or discontinued. Bags' Service Blueprint for Current Product Line Analysis and Recommendation Regarding Business Process Reengineering The basic service blue print is as follows: Based on the group analysis of this service blueprint it is not recommended for eBags to consider a process reengineering. The goal of a process reengineering is to redesign and integrate the business process to increase customer satisfaction. eBags have set themselves apart from their competition with their service blueprint, and any changes can be considered a waste.

Footwear Industry Quality Control Analysis and Recommendations The footwear industry is very different from the luggage industry, shoes will be on a person and a level of comfort is important when configuring quality control. One step in maintaining quality control in the footwear industry is to recruit manufacturers with reputable quality assurance guidelines such as material inspection, testing, and final inspections of product before shipped to the consumer. It is also important that the manufacturers hire knowledgeable, competent, and skilled staff to ensure that all quality standards are being met.

A second step in quality control, according to Schroeder, Goldstein, & Rungusanatham (2011), is to clearly identify the needs of the consumers. Once consumer needs are identified the consumer is not lost from the picture, consumer input is needed design specifications with the use of quality function deployment. This can also include information regarding consumer identified life expectancy of the shoes being produced consumers are not going to spend money on shoes that they are going to have to replace every 6 months. Malcolm Baldrige Award Analysis and Recommendation(s)

Established in 1987, the Malcolm Baldrige Award was created to encourage businesses to strive for higher quality performance through management practices and improved quality results (Schroeder, Goldstein, & Rungusanatham, 2011). Spread between seven (7) categories: 1) leadership, 2) strategic planning, 3) customer focus, 4) measurement, analysis, and knowledge management, 5) workforce focus, 6) process management, 7) results; the Malcolm Baldrige Award allows for 1000 total points combined between the seven categories measuring quality assurance.

As judges for the Malcolm Baldrige Award, our assessment of eBags Incorporated for this strategic award is as follows: Category and Items (2010):| Points| Comments| || | 1. Leadership| | | 1. 1. | Senior Leadership| 70| Senior management work collaboratively to analyze previous results and asses future business ventures| 1. 2. | Governance and Social Responsibilities| 50| According to PRNews (2012), eBags partnered with Susan G Komen to create " pink program". Over 900 pink items offered that eBags contributes 10% of retail sales to the Komen Foundation. | 2. Strategic

Planning| | | 2. | Strategy Development| 40| Created one-stop shopping for consumers, incorporated the drop-ship model, and added EPN and vendor scorecard to website to keep consumers informed| 2. 2| Strategy Deployment| 30| Meeting to discuss future business plans for eBags (Footwear Industry or European Market) based on previous years sales numbers| 3. Customer Focus| | | 3. 1| Customer Engagement| 40| Customer engagement can be seen in what Yahoo (2012), called the " Bag an iPad" campaign that created flexibility in customer interaction by expanding to the channels that consumers use most to communicate. 3. 2| Voice of the Customer| 45| Voice of the customer can be seen through the EPN, manufactures and other consumers can read reviews and testimonials. This gives eBags an opportunity to learn what consumers want and make changes to their products and processes if needed. | 4. Measurement, Analysis, and Knowledge Management| | 4. 1| Measurement, Analysis, and Improvement of Organization Performance| 40| This category reiterates the EPN and vendor score card system. Manufacturers are able to measure performance and use feedback to incorporate innovated ways to increase sales| 4. | Management of Information, Knowledge, and information technology| 40| ExtractTarget program, consumers receive up to date product and sales information, consumer reviews, and receive discount coupons. | 5. Workforce Focus| | | 5. 1| Workforce Engagement| 10| No information provided to support this category| 5. 2| WorkforceEnvironment| 10| No information provided to support this category| 6. Process Management| | | 6. 1| Work Systems| 30| Maintaining the internet to avoid congestion within the website.

Flow of the drop ship model| 6. 2| Work Processes| 45| eBags work processes is reflected through their improvement of work systems. | 7. Results| | | 7. 1| Product Outcomes| 90| I believe eBags has a strong product outcome by offering the customers products in the high, middle, and low end of the market| 7. 2| Customer-Focused Outcomes| 70| The process of the drop-ship model from eBags demonstrates how effective the experience is with the company, from shopping, to delivery to the vendor getting paid. 7. 3| Financial and Market Outcomes| 65| The financial and market outcomes at eBags have been set by their determination to offer more than 700 different brands to its market. This is done through cross functional teams within each department of eBags| 7. 4| Workforce-Focused Outcomes| 65| | 7. 5| Process Effectiveness Outcomes| 70| The process of the drop-ship model from eBags demonstrates how effective the experience is with the company, from shopping, to delivery to the vendor getting paid. | 7. | Leadership Outcomes| 70| By utilizing cross functional teams to create efficient and effective product and process flows, eBags has been able to shine among the industry setting precedence for future businesses. | | | | | Total | 880| | In conclusion even though eBags has some strong characteristics that can be appreciated in quality management it also has some weaknesses that can be improved on. These weaknesses impede eBags attempts at trying to win the Malcolm Baldrige Award. Analysis and Recommendation(s) for eBags Supply Chain Improvements The supply chain of eBags has been slimmed down as low as it can get.

By implementing the drop ship model and EPN, all those involved in the supply chain are needed and the current processes are keeping consumers

happy with wide selections of merchandise that can fit any style. It is recommended that eBags is not in need of improvement in structure or infrastructure. By maintaining cross functional teams in product and process development eBags can stay on top of the competition by implementing innovative ways to improve process flows. Conclusion Over the years eBags has made a big name for itself being named Internet Retailer Magazine's Top 50 Websites (Schroeder, Goldstein, & Rungusanatham, 2011).

With hopes to expand, eBags can venture into a brand new industry that can eventually open more doors or they can expand their current market into the unknown terrain of Europe. Both ventures will require cross functional teams to ensure that consumer wants and needs are addressed while creating process flows that will generate revenue for the company. Regardless of the industry eBags continues to expand in, the use of batch flow process and made to stock order process will accommodate any needs within any industry. eBags has set precedence for their innovative ways of conducting business such as with the drop ship model, EPN, vendor scorecard system, private label, and one stop shopping with the use of technology. eBags has also adapted well to current business practices and implemented the five tenets of lean which was a vital part of their success during a time of economic crisis. By conducting all business transactions, eBags has been deemed a low customer contact company because all contact is done through the eBags website or on the phone with customer service representatives.

Although eBags is missing out on opportunities for up-sale because of limited customer engagement, they make up their losses by saving consumers time and money from having to travel for their luggage needs. eBags scored

rather high with the Malcolm Baldrige Award but was not quite at the mark to win. The category that had the biggest impact was workforce focus and very little information was available to support a higher score in this category. eBags can work on all areas in this category for improvement to secure a win of the Malcolm Baldrige Award.

References: PRNewswire. (2012). eBags. com Raises Breast Cancer Awareness Year-Round with Pick Pink Program. Retrieved November 9, 2012 from <http://www.prnewswire.com/news-releases/ebagscom-raises-breast-cancer-awareness-year-round-with-pick-pink-program-57176017.html>

PRNewswire. (2012). eBags. com Redefines Customer Service with Cutting-Edge Internet Technology. Retrieved November 2, 2012 from <http://www.prnewswire.com/news-releases/ebagscom-redefines-customer-service-with-cutting-edge-internet-technology-73251862.html> Horwitt, E. (2011).

The Systematic Web gets Down to Business. Retrieved November 3, 2012 from http://www.computerworld.com/s/article/9209118/The_semantic_Web_gets_down_to_business

Schroeder, R. G. , Goldstein, S. M. , & Rungtananatham, M. J. (2011). Operations management: contemporary concepts and cases. (5th ed.). New York: McGraw-Hill/Irwin. YahooFinance. (2012). eBags Boosts Fall Sales with New ExactTarget-Powered Cross Channel Marketing on Facebook, Email, and Mobile. Retrieved November 10, 2012 from <http://finance.yahoo.com/news/ebags-boosts-fall-sales-exacttarget-153000369.html>.