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Clubb International: Revisiting the Marketing Strategy[[1]](#endnote-1)

Neena Sondhi and Rituparna Basu wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Tarun Mullick, the 56-year-old founder and managing director of Clubb International Private Limited (Clubb), had always prided himself on being ahead of trends. At Clubb, his family-owned soft luggage and travel accessories manufacturing and retailing company, Mullick offered the latest designs at affordable prices. He staunchly believed these were the primary reasons for the success and sustainability of his venture over its 26 years of business.

However, from early 2017, the top executives at Clubb were looking at the possibility of pursuing considerable structural changes to the business. In his quiet but decisive manner, 29-year-old Arup Mullick, Mullick’s only son and heir apparent of Clubb, shared his vision for Clubb for 2020. He wanted the brand to attain a leadership position in the mid-segment of the rapidly growing travel goods and accessories sector in the Indian market. Arup’s vision was exciting, but it would definitely call for significant changes in the way Clubb did business. A legacy of innovation, quality, and a bootstrapping philosophy had brought the company to where it was; aspirations for a market leadership position would mean adopting a more aggressive and structured business strategy.

Mullick painstakingly examined the options that would help Clubb retain its core philosophy while making way for Arup’s vision. He wondered whether change was needed for the product strategy or for the retail strategy. Which was the real core value for the modern, fashion-conscious consumer: affordability or ambition? Could his model of complete ownership and having no advertising mantra still work when moving toward achieving his son’s ambitions? Was it time to explore a new path and business strategy for Clubb as it moved forward?

THE TRAVEL GOODS AND ACCESSORIES MARKET: A MACRO PERSPECTIVE

Traditionally, the travel goods sector included travel bags, suitcases, trolley bags, duffel bags, backpacks, and vanity cases. For the more adventurous traveller, there was a range of trekking equipment comprised of bags, rucksacks, umbrellas, raincoats, and other travel gear. Accessories included a diverse range of products such as women’s purses and handbags, men’s wallets, belts, laptop bags, school bags, gloves, hats, and other similar products. These goods and accessories were manufactured in both hard shell and soft side luggage variants using a wide range of raw materials ranging from leather, plastic, nylon, polyester, textiles, and corduroy, to jute. At its event in Las Vegas in April 2017, the Travel Goods Association—which organized and sponsored the world’s largest trade show for travel goods—showcased more than 2,000 lines representing more than 40,000 products.[[2]](#endnote-2)

Leather dominated the travel goods and accessories market and held the majority share of the total sector.[[3]](#endnote-3) Globally, the sector was predicted to demonstrate a compound annual growth rate of 5 per cent, growing to US$94.7 billion by 2020.[[4]](#endnote-4) Interestingly, the Indian leather and travel goods market showed a far more exciting trend than that of the world market. In 2016, the Indian luggage market was estimated at ₹30–40 billion.[[5]](#endnote-5) It had witnessed a compound annual growth rate of 18 per cent over the growth of 13 per cent in 2015, and it was expected to reach 20 per cent in the coming year.[[6]](#endnote-6) In addition, according to a Euromonitor report, the Indian market was set to see a promising 24 million outbound tourists by 2021, which was predicted to have a direct positive effect on the luggage industry in India.[[7]](#endnote-7) Rising disposable income, an increasing number of women joining the workforce, and a more outgoing and travel-friendly populace with a high degree of fashion involvement and branded demand had further fuelled both demand and sales in the luggage and accessories market. These factors would be responsible for driving the demand for personal accessories over the forecasted period, to 2021.[[8]](#endnote-8)

While all of this appeared to be more of an urban market phenomenon, markets in the smaller Tier 2 and Tier 3 cities were not far behind. National and international brands (see Exhibit 1) were also making their products available to consumers across urban and semi-urban markets, through both physical and virtual retail formats. Marketers used company-owned showrooms, e-commerce websites, multi-brand department stores, and even popular e-marketplaces and aggregators such as Flipkart, Amazon.com, Inc., and eBay Inc. in varying combinations to reach their target audience.

Dominated by leather, the travel goods sector faced its own peculiar challenges. It received considerable flak from environmentalists because the basic raw material for all pure leather goods was dead animal hide. Bags made with exotic leather from alligator and snake skin also raised the cost of the finished products. Typically, the leather supply chain was from the slaughter of the livestock to the tanning and finishing of the hide, with conversion to the finished product in the third phase of the chain. The raw effluent, a by-product of tanning, was a major toxic waste, leading proactive players to adopt new methods and technologies such as salt-free and reduced-salt pickling. Most companies manufacturing leather goods procured and then worked on finished leather, but operational models were slightly different in India, where there was greater reliance on labour-intensive processes. Government policies treated leather as a priority sector and a primary source of foreign exchange—a factor conducive to the healthy growth of the sector.

India ranked first among livestock holding countries and accounted for 10 per cent of the global supply of raw hide and skins.[[9]](#endnote-9) According to Mullick, “The quality of leather used has a huge role to play in the look and feel of the finished product. Indian leather is far superior to any raw hide. Countries like China, on the other hand,” he said, “have to import leather from Australia and New Zealand in order to compete with us. This gives us a huge cost advantage.”

However, the sector was likely to see a dip with a recent state government ban (in Uttar Pradesh) on slaughterhouses.[[10]](#endnote-10) Because Uttar Pradesh was an important source of livestock, the ban could lead to a supply shortage and consequent price increase of the raw material. The smaller players would then have to look at importing cheap quality leather or at alternative options.

CLUBB INTERNATIONAL PRIVATE LIMITED

Clubb was the brainchild of Mullick, a highly successful though unusual entrepreneur.[[11]](#endnote-11) In 1977, Mullick started his business venture with a single employee, a PVC (polyvinyl chloride) high-frequency welding machine in a small eight-by-four-foot space, and a meagre investment of ₹10,000 (secured as a loan at an interest rate of 18 per cent). In the initial years of the business, Mullick made plastic diary covers. In 1980, he secured a large order from The Peerless General Finance & Investment Company for 55,000 plastic diary covers. However, given his zeal, Mullick was never satisfied with the status quo of the business and started looking for more lucrative and high-margin business opportunities.

Mullick knew the luggage manufacturing sector was capital- and technology-intensive. After surveying the market, he realized VIP Industries Limited (VIP Industries)[[12]](#endnote-12)—Asia’s largest and the world’s second-largest luggage manufacturer—enjoyed a near monopoly in the hard shell luggage market. After several considerations, Mullick finally decided to enter the soft luggage market. He said, “I decided to take an approach where I would offer the best designs with the best quality at the right price points. By keeping the price slightly lower than that of the established players, it could be ably supported with better dealer margins.” With the profits generated through the plastic diary cover order, he invested ₹20,000 in a Taiwanese machine to make bags and went ahead with diversifying into soft-sided travel bags.

The problem, however, was actually getting orders, and Mullick knew “the right breaks could come only through the right connections.” His first major break came when Gopinath Ghose (a table tennis administrator from the state) told him that footwear and accessories manufacturing and retailing firm Bata was considering outsourcing the manufacturing of its sports bags. Mullick managed to secure the contract to manufacture nylon sports bags for Bata’s sub-brand Power. Soon he was supplying bags and accessories for big corporate brands including Bata, Lotto, Adidas, Puma, and Duckback. Mullick said, “After careful study of the supply chain, I realized that the greater the number of people in the network, the greater would be the number of people sharing the margin of profit. You know, starting from the manufacturer to the distributor to the dealer. So I said, I will have no distributor and, instead, give my products straight to the retailer. That way, there will be no sharing of the profit margin.”

Birth of the Clubb Brand

During his transactions with Bata in 1990, Mullick knew he wanted to scale up and build a brand of his own. In 1991, he formally registered and launched the brand Clubb. Mullick shared, “I realized that building a brand was a structured process which began with the selection of a brand name.” It should be “a short and a crisp word, as one should not tax the consumer’s memory with new and complicated words.” Mullick added that the word should be related to one’s product category. “There was no need to compute complex theories and jargons, as the actual world was very simple, and had clear and simplified laws.” He picked the name Clubb “because it was a simple word, and because it was part of a common terminology used by sportsmen. The extra ‘b’ in the brand name was added to differentiate it from social clubs, and thereby minimize confusion.”

The logo also had its own story. Mullick shared, “Since I was going to deal in travel goods and travel accessories, I thought it would be appropriate to use the logo of a boat. It’s a yacht, actually, and I used my favourite colours—sky blue, navy blue, and red—in the sketch of the yacht. There is a personal story associated with it as well.” He reminisced, “As a struggling entrepreneur, I used to sit with my girlfriend (who is now my wife) at a coffee shop near the River Ganges and watch the ships sailing past. We used to dream of sailing for new journeys together.” Mullick, in consultation with his designer friends at advertising firm MullenLowe Lintas Group, had recently revamped and re-designed the brand’s logo to make it look more like a yacht whose sails were filled with the breeze, in order to make the logo more eye-catching and “appeal to new consumers” (see Exhibit 2).

Clubb's Human Resources

The company’s journey had begun with Mullick and a single employee, but by January 2017, Clubb had 100 direct and indirect employees, some of which had been with Clubb since its early days. Mullick said, “All those who work with me share my passion for making products that are almost like a piece of art. This satisfies their creative drive.” He recognized there was attrition, but said, “Why not? If someone is looking at another opportunity or city, he should move on. That is life. Life is like this yacht, which is sailing on a constant journey. I hold no hard feelings, for whoever is with me is part of the Clubb family.”

Considering the employee mix, 18 were of the managerial cadre. They handled all kind of functions, from finance and accounting to sales and marketing. This cadre included the retail staff at the three ClubbCart stores (including one store at the factory site), and a full-time digital marketing person, who handled the website platform at the national and international levels as well as the Clubb blog.

Regarding Clubb’s senior management, Mullick said, “On the personal front also, we are a small family and today, all three of us, including my wife and son, are engaged full time in Clubb. We handle everything, from understanding the market to understanding the consumer.” Mullick and his family designed the bags and accessories they manufactured. Earlier, Mullick had done all of the designing. “Now, my wife and son do it.” He explained, “After they give me the concept or the design . . . I convert it into a workable and feasible prototype. My wife also looks after our retail store now. I do everything from manufacturing to business operations. I have, in the past, doubled as a delivery boy . . . when an order needed to be delivered or some important raw material needed to be picked up for an urgent deadline” (see Exhibit 3).

The Clubb Product Line

Clubb began its operations by manufacturing school bags, women’s handbags, travel bags, rucksacks, backpacks, and other travel accessories. Mullick had experimented with unconventional materials and successfully manufactured and sold nylon and polyester bags, along with a small assortment of leather items. Always keen to experiment, Mullick made PVC raincoats under the brand name “Easy Rider.” These were instantly successful, and he received bulk orders for them from the Kolkata Police and the Rapid Action Force commandos.

Mullick said, “I was always looking for new styles as well as material with which to surprise and delight my customer.” It was then he came across jute. He was fascinated by the natural fibre and would often make a play on the words jute and jhoot: “There is only jute, and the rest is jhoot” (which, roughly translated, means only jute is naturally produced, and therefore real, while other products are artificially produced and thus a lie—a jhoot).

Clubb stormed the fashionable Mumbai market in Western India in 1993–1994 with diversified products made of jute and leather. Mullick’s next mission was to export. He explained, “I knew I could not compete with leather products in the international market, so I had to come up with some innovation. Thus, I worked out a jute and leather combination product idea.” This innovative and eco-friendly idea earned him United Nations Development Programme funding. Mullick knew Clubb had to offer something else, so he started innovating by stylizing jute products with new dyes and new designs. He then travelled the world with his diversified jute–leather caps, waist pouches, women’s bags, and other accessories.

In 2017, the company had more than 200 different products at any given time (see Exhibit 4). Mullick expounded, “All the raw materials I use are special to me. I just focus on whatever is selling in the market, and whatever the customers like, whether it is jute, PVC, nylon, corduroy, or leather. Our strength is that we keep changing our products.”

The designing and manufacturing of the entire range of products was done at four manufacturing units in Kidderpore, a neighbourhood in Kolkata. Mullick liked to explore new techniques and designs. He sometimes experimented by transferring a design from an old style to a contemporary fabric to create a novel offering. According to Mullick, “Product development is a never-ending process. You will see that my entire product line changes over a two-year period. I also change eight to 10 products every month.”

Over the last couple of years, the product design unit at Clubb had been led by Mullick’s son Arup and his team of skilled workers and cutters. This had saved Clubb the cost of hiring a full-time designer—even fresh graduates demanded salaries in the range of ₹15,000 to ₹20,000 per month. Although many of the branded counterparts in the industry employed professional designers, the Clubb philosophy had been frugal in this respect. Mullick shared, “Nobody on the shop floor just mechanically performed their duties. Anyone and everyone can come up with new ideas. Every day, we challenge our own designs and production methods.” For instance, the company focused on making its cabin baggage lighter to suit weight restrictions. He stated, “The only way to keep coming up with new ideas is by going to the market, observing and understanding what is available there, and then innovating to improve upon it.” He added, “It is very simple. Whatever is in demand and short in supply, that is the favourite of the season. Simple. It does not need a management theory! The other secret is to get the best raw material at the best price. You cannot go back on your promise of the best price.”

Once the finished product was ready, it was first test-marketed at the ClubbCart stores. Both Mullick and Arup affirmed, “If it works offline, then we are pretty sure it will work online.” They explained, “At first, we make the new product in small batches. If it doesn’t sell, we try different colours, and different raw material. Generally, we give a design/style three to four months and if the sale of that product is not encouraging, we decrease its manufacture and, slowly, over a period of time, we would stop making it.” They experimented with what would be displayed on Clubb shelves.

Mullick added, “Sometimes, I consciously cannibalize my own designs. For if I don’t do that, someone else (my competitor) will come along and cannibalize my product.” He explained that some products would cease to be made, for example, leather briefcases. “I understand that they have become obsolete, but there may be a vacuum in the market as a result of this. So, after some time, it might be a good idea to make them in small quantities and sell them to those who may buy them for nostalgic reasons or maybe to sport a retro style.” He pointed out that it is in the retailer’s interest “to figure out what the consumer wants, to see whether you can take a risk or not.”

Arup explained:

Many times, we have worked for months designing and developing a new range of products and it has not sold for a fortnight [two weeks]. When a new design does not work, Dad just decides to discard it immediately. That’s where we differ. He is not emotionally attached to the designs and innovations as I am.

With aspirations to be recognized as a travel goods and accessories company, Arup also wanted to explore all related product opportunities.

We at Clubb are making products such as raincoats. So we have plans, to diversify into umbrellas, which would be complementary to the existing line. We already have our dealer network and our franchise partners in other cities. They would be more than willing to sell Clubb umbrellas as well. In the process, the dealer also gains, as he gets from the same manufacturer products that are complementary in nature and with the same assurance of quality.

Clubb Channels and Operations

The brand had come a long way since 1991. In 2017, Clubb had four manufacturing units in the heart of Kolkata, in Kidderpore. The main manufacturing unit covered a 6,000-square-foot space across two floors. It housed the back office and Clubb Lounge, which doubled as the Mullick family’s office. Clubb Lounge was Clubb’s oldest retail store, in operation since 1994. Mullick explained:

Earlier we had a separate office space. Then we asked ourselves whether we needed a separate office space. Or for that matter, why did we need to block the money? So we sold it, and converted a small space in the factory into an office. That way, both my wholesalers and my dealers could come here to touch, feel, and see the product range, as well as be assured of the quality of the product. Secondly, some of my loyal customers and their friends visit me here. At least two to three customers come here on an average day and give me average daily sales of ₹3,000–₹5,000 from this place only. This covers my electricity and telephone bills and helps me to pay for factory overheads and make the best use of every inch of the space that I own.

The main manufacturing unit was used for nylon products, and had a small section dedicated to the silkscreen printing unit. The other three manufacturing units, in the same locality, were engaged as a leather unit, a PVC unit, and a jute unit. Each unit specialized in its own production process. For instance, the leather unit worked on pasting and stitching, while the nylon unit specialized in cutting and stitching. The company relied completely on dealer-driven demand in the market and, until 2010, had a strong network of close to 128 dealers across the country. Mullick clarified:

We started with the simple philosophy of keeping our prices at least 15 per cent lower than that of the market leader, VIP Industries. The margin for our dealers on the other hand, was a hefty 30 per cent commission, which was later reduced to 25 per cent. This was significantly higher than the margin of 12 to 15 per cent commission offered by VIP Industries for various products. Hence, we had to employ a sales force that contacted the dealers directly. This helped eliminate distributors and, thus, protect our margins.

Clubb’s focus was better margins, compounded with a zealous focus on the best quality. This was visible in the raw materials, the quality of the stitching thread, and decorative accessories such as beads and buttons. Each object was hand-picked by Mullick and constantly checked for any aberrations.

The brand grew rapidly in the initial years but took a huge beating in the early 2000s. Arup explained:

Post-liberalization, during 1991–1992, our industry was affected ten years down the line. On the one side, we saw Chinese products entering the Indian market with their lower ranged offerings. On the other side, the big European and American brands like Samsonite started aggressively capturing the market at the higher end. However, while these brands were aggressively entering the other regions, they were comparatively slower in entering the eastern market. This worked to our advantage in the east, even though we lost out on the extremely profitable Mumbai market in the west.

In 2004, Mullick decided to expand Clubb operations further by pursuing company-owned retail space. Clubb started its first off-factory-site retail store in City Centre, in Salt Lake City, Kolkata. In 2008, Clubb added another company-owned retail store in the City Centre 2 shopping mall situated in the up-and-coming Rajarhat area of Kolkata. Mullick stated, “Every shop that I have is mine. I believe in complete ownership as I believe in sustainability, and for this reason, I don’t believe in rentals. So I grow slowly and expand one step at a time. He added, “Whatever you see in Clubb tomorrow will also be owned by us. In future, my son may have his own way of thinking. He might want to expand at a faster pace. He may not want to wait for ownership.”

In October 2014, the company launched its national and international websites, clubbcart.com and clubbcart.in. It also sold products through its nine online retail associates, including Flipkart, Amazon (including Amazon.com, Amazon.in, Amazon.uk, and Amazon.aus), eBay, Snapdeal, Paytm, and others. Mullick shared, “We started selling in the digital space just a short while ago. I am very conservative because I cannot bear losses, so I prefer to go systematically. I have intentionally kept a uniform policy across all platforms. They carry a similar product range and at the same price.”

Over the previous 10 years, the dealer network for Clubb had been pruned considerably following the success of its company-owned retail stores. After the launch of the e-commerce platforms, the dealer network was reduced to 40. In 2017, the company had only 15 dealers, concentrated mainly in the eastern region. This eased Clubb’s channel management processes and gave it better control over their demand–supply equation. Mullick had retained the dealers based on two things: first, the strength and length of their relations with him, and second, the strength of the dealer’s customer base in the respective target location. For instance, in Tier 2 cities like Siliguri in West Bengal, Clubb supplied directly to the big, established dealers who had retail shops and could sell to the end consumers. Thus, offline plus online strategy worked for Clubb, apparent in the better profits that year (see Exhibit 5). Arup explained, “When we began in 2014, it was 0 per cent online and almost 100 per cent offline. But today the ratio is almost 25:75 (with 25 per cent coming from online sales). I am hopeful that the online sales will increase more significantly in the years to come.”

Realizing the merit of the retail arm, both Mullick and his son decided to create a distinct identity for their retail business. The company-owned retail stores and online platforms were thus renamed ClubbCart in July 2014. Mullick specified, “I only sell what I manufacture. I want no complaints; I want to give 100 per cent guarantee.” Narrating an incident, he recalled:

One customer, who had placed an order from the U.S., sent us an email saying that the product was faded. I mailed him back saying, “Don’t send the product back. I am refunding you your money and also sending you another piece. You send money only if you are satisfied with the new product.” The customer sent back double the money. He was so happy with my gesture that he placed further orders. The volumes will come automatically; the satisfied customers will do it for you. So the first step begins with being constantly and completely connected to what your customers need (see Exhibit 6).

In the business-to-business segment, too, the company enjoyed considerable respect and loyalty from institutional customers who were regular buyers of customized bags, backpacks, and other travel bags. Close to 20 per cent of Clubb sales came from these regular business buyers.

Mullick, the unconventional entrepreneur, was also a non-believer when it came to any kind of marketing communication. He argued, “Advertising is no longer necessary. Google doesn’t advertise . . . nor does Facebook. . . . Create your own identity, glory will follow.” Mullick was a great believer in the model of marketing of Burra Bazaar, the largest wholesale market for textiles in Kolkata, which, Mullick explained, “rested on three rules: production strength is the ultimate strength, price marketing is the ultimate marketing, and whisper publicity is the ultimate publicity” (see Exhibit 7).

TRAVELLING NEW ROADS WITH CLUBB: TIME FOR CHANGE?

Although small, Clubb had been a force to reckon with since its inception. But now, the second generation Mullick had big plans. In the words of Arup, “We want to be a leader in the affordable branded segment. In order to do that, we are focusing on finesse of the designing aspects, modernization, and scaling up of manufacturing facilities. Along with this, we have aggressive plans for the growth of our e-commerce and online platforms, while we carry out the required brick-and-mortar retail expansion.”

Mullick shared his son’s vision of attaining a leadership position. He was equally passionate about the fact that Clubb, despite any challenges, had maintained its expansion and modernization through internal resource mobilization. Mullick stated, “I have my retail stores and this factory outlet. Lately, we have also adopted the e-commerce model on Arup’s insistence. Now, I want to expand into new states. For that, we need to first identify the states where we can replicate the entire business model. We can have one manufacturing unit in an identified state and then supply to the neighbouring states.” Mullick wanted to open more physical retail stores under the same ownership philosophy. He believed “success and sustainability have to be two sides of the same business coin.”

Mullick had toiled hard and long to build up Clubb from scratch. Clubb had grown organically and it was well regarded by its diverse consumer segments for its value-for-money quality merchandise. Mullick was of the steadfast opinion that one should not focus on tomorrow at the cost of today, saying,

For any business, the biggest challenge is to sustain. I am always looking for opportunities to make my business profitable. I entered online sales for the same reason. Today I have dealings with Amazon, Flipkart, eBay, and I also have my own site, Clubbcart.com. Similarly, I went for my company owned retail stores when the time was right.

In late February 2017, Mullick asked his son to identify Clubb’s short-term and long-term plans so they could move toward Arup’s goal of being the second-largest manufacturer of travel goods and accessories in India once again. Arup had to present his ideas by the end of March. However, he knew this was not as simple as it seemed, given his father’s reliance on his long-standing bootstrapping philosophy. Arup needed to decide on a product strategy. Would the trial-and-error-based product line management still work for Clubb? How would the company manage to identify current trends and customer demands in other states and for international customers? It had also to re-think whether the complete ownership model of retail stores was sustainable.

Arup dreamed of making Clubb an iconic brand, stating that unlike brands such as Tesla and Apple that enjoyed an image of exclusivity, “I did not start with niche products, but I want to slowly scale up with better and more exclusive products that are valued more—where the overheads are high, but I can charge the right margin so that I don’t really need to play a volume game.” He pointed out, “This low margin–high volume game, where you constantly try to improve your cost efficiency, will not be sustainable in the long run.” Arup recognized that while the labour in India and China was cheap, Clubb was already facing stiff competition from Vietnam and Cambodia. “The only way to sustain this is to make better quality products for the niche customer who does not mind paying a premium for your offering.”

A resolution between Arup’s idea of brand exclusivity and his father’s no-advertising ideology seemed difficult. A brand needed to tell the right story through the right media vehicle. Was it time for Clubb to re-invent its communication strategy to take the brand to the next level? Clubb had a great lineage and a great story. Was it time to be more aggressive and more vocal and increase the visibility of the brand?

The authors would like to acknowledge the help received in the preparation of this case from Tarun Mullick, managing director, and Arup Mullick, director, Clubb International Private Limited.

Exhibit 1: THE COMPETITIVE LANDSCAPE

The travel and accessories luggage market in India was highly competitive. It had seasoned, international players such as Victorinox, Delsey, Samsonite, American Tourister (the mid-market offering from Samsonite), Tumi (recently acquired by Samsonite as part of its aggressive market share maximization plans[[13]](#endnote-13)), and a number of global brands. Interestingly, in the last couple of years, even high-end luxury brands like Louis Vuitton and Burberry had established their presence in India. According to a Euromonitor International report, the luxury leather market was expected to double to ₹21.77 billion in 2017 from ₹11.178 billion in 2013.[[14]](#endnote-14) Secondly, because of the open economy, there was also a huge proliferation of cheap, synthetic luggage from Chinese, Taiwanese, and Vietnamese manufacturers.

The well-established and favoured national brands like Safari, VIP Industries, Hidesign, and Titan Fastrack had been in existence for more than two decades, and there were new brands like Wildcraft—this brand had offerings almost in the same range as Clubb and was now available across the country. Moreover, having expanded into apparel and accessories along with travel goods, Wildcraft had an array of products to offer. There were the affordable luxury brands like Nappa Dori, which were niche and exclusive and gaining international recognition. Nappa Dori, an Indian brand that was referred to as a “bridge to luxury,” was fast becoming the premium choice for Indian shoppers.[[15]](#endnote-15) Along with international celebrities, Nappa Dori's clientele included Indians who were proud to stand out with homegrown products that cost a fraction of the cost of high-end foreign products. There were also local brands, as well as a very large un-branded market that provided offerings to both the end consumer and the big brands who resold them under their own label.

Besides this, there were tanneries that had started making finished products and selling them directly to end consumers. Most of the leather products and accessories were manufactured in the states of Tamil Nadu (Chennai and its neighbouring cities), West Bengal (Kolkata), Uttar Pradesh (Kanpur and its neighbouring areas), and Punjab (Jalandhar). Almost 60 per cent of the tanneries were in Tamil Nadu; the state also accounted for about 40 per cent of India’s leather exports. This sector was a source of income for the almost 2.5 million-strong workforce, of which 30 per cent were women.[[16]](#endnote-16) When it came to non-leather and soft luggage, there was a range of offerings from lifestyle and fashion brands like Bata, Tommy Hilfiger, United Colors of Benetton, Reebok, Puma, and Adidas, among others.

The sector could be segmented into hard shell and soft leather luggage and accessories, and non-leather goods, which included artificial material such as nylon and polyester, as well as natural fabrics such as jute and silk. Another way of looking at the market was in terms of the price point, with the categories low, medium, premium, super premium, and luxury. The unorganized local players and the tanneries making their own products generally comprised the lower end of the market. The average price of the products they sold was in the range of ₹250–1,000. The medium range included family owned small and medium enterprises. These units sold the products under their own brand names, e.g., Wildcraft and Clubb. Their price range was usually between ₹1,000–3,000. The premium segment included the international brands and a few national brands, and the price range was ₹3,000–8,000. Samsonite and other international brands were in the super premium segment and were in the price range of ₹8,000–25,000. The luxury segment was in the ₹100,000 and above price range.

Changing consumer demographics and an increasing emphasis on style and fashion were the deciding criteria in the new era. Aesthetics rather than mere functionality drove the purchase of products in the travel and goods sector. Handbags and accessories, as well as travel bags, were an established visible status symbol and were purchased for their badge value. This altered the way both the established and the new players did business. Forty-year-old VIP Industries had a 70 per cent market share in 2000, but this dipped to 50 per cent in 2015. Despite this, it was still the market leader. According to Dilip Piramal, chairman of VIP Industries, the brand suffered because young adults perceived VIP Industries as an ageing brand, one that belonged to their father’s generation. Customers belonging to this younger age group would thus choose a Samsonite even though the price was almost double the VIP Industries price range.[[17]](#endnote-17)

VIP Industries was now being handled by Radhika Piramal, who was trying to revamp the brand using multi-pronged strategies such as introducing more variety and contemporary designs to appeal to the modern Indian. The firm also went ahead and re-launched its old range—for example, the mid-range Skybag—a trolley bag of the 1980s at a price of about ₹2,000 in the soft luggage market. The brand had also recognized the potential of increasing its reach by moving to e-platforms and moving into smaller towns and cities. VIP Industries was not unique in revisiting its strategies, as even global brands like Samsonite and Delsey had followed a similar trend of increasing their width by acquiring both super premium and medium range brands.

Note: ₹ = INR = Indian rupee; US$1 = ₹67.9047 on December 31, 2016.

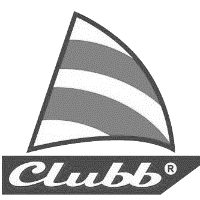
Source: Created by the case authors.

Exhibit 2: OLD AND NEW CLUBB LOGO

Old Logo (1990)



New Logo (2016)



Source: Company documents.

Exhibit 3: CLUBB DIRECTORS: A SNAPSHOT

**Tarun Mullick (Managing Director):** Thefounder of Clubb International, Mullick won the Junior Bengal table tennis championship in 1975–1976 and was acclaimed a national rank-holder in the game. However, personal circumstances and familial responsibilities curtailed his sports aspirations, and at the tender age of 17, Mullick began his entrepreneurial journey. In his own words, “An innovative entrepreneur is like a sportsman who has to play multiple game tournaments. He wants to win the cup but he does not know whether he will survive even the first game. So, since things never go according to plan, plan only for the current game, and change strategies as you go the next level and meet a new opponent.”

Mullick was reconciled to the fact that he had been cheated by many people—that experience had contributed to making him the person he was today. The success mantra for Clubb, as spelled out by Mullick, was three-pronged: provide customers with supreme quality products, constantly surprise them with new offerings, and delight them with the best customer service.

**Rita Mullick (Director):** Rita, wife of Tarun, had a bachelor's degree in home science and a bachelor’s degree in education. Apart from her professional qualifications, Rita was a classically-trained dancer. As a staunch champion and supporter of Tarun, Rita looked after the retail business of the company; i.e., the ClubbCart physical stores. She also played an active role in identifying consumer trends and suggesting product design innovations, which were converted into product prototypes by her husband and her son.

**Arup Mullick (Director):** Mullick’s only child was the new face of Clubb. A quiet and zealous professional, Arup was a postgraduate in commerce with marketing from St. Xavier's College, one of the most prestigious academic institutions in Kolkata. Currently, he was pursuing a doctoral degree in micro- and small entrepreneurship from the University of Calcutta. An avid and voracious reader, he still found time to contribute to the world of academics. Arup also served as the program coordinator of St. Xavier’s College career-oriented evening diploma program. Like his father, Arup had an active interest in sports. Arup had achieved several laurels in tennis at the university and state levels. He operated as the chief operating officer of the company and was in charge of all product designs, and all manufacturing and strategic innovations. Responsible for many firsts, such as moving actively into digital platforms and creating the retail sub-brand ClubbCart, this young, second-generation entrepreneur had some well-constructed plans. Arup said, “ClubbCart’s potential is limitless. My basic objective when I started ClubbCart was to make a vertical market place for the traveller who moved club class . . . business club class—the elite who would use our platforms for their complete travel needs."

Arup stated, “We are not in the business of making bags. We are into travel accessories. As far as I am concerned, I am keener to establish myself in the domestic market first. It is easier to manage, the cost is less, and you have more control over quality. Since we are a small company, we cannot always look at impact maximization and . . . the financial viability of strategic decisions.” Thus, he said, “When I look at the world market, I would like to be the largest manufacturer of eco-friendly goods. There is very little competition in that area.” He pointed out that Clubb had tie-ups with international brands in countries such as Spain, where it sold its jute bags, which were then sold under Spanish retailers’ brand names at a very high premium. For instance, he explained, “If we sell it to them for US$20, they sell it under their brand name after marking it up to US$200. That’s the market I want to enter, where the margins are huge. But then, that is my future dream. I am not going to move ahead till I have consolidated my position as a leading player in the domestic market.”

Source: Company documents, and the case authors’ interviews with the company directors.

Exhibit 4: CLUBB PRODUCT RANGE & DETAILS

|  |  |  |  |
| --- | --- | --- | --- |
| **Product Category** | **Description** | **Basic Material** | **Price Range (₹)** |
| Ladies Bags | The category includes sub-categories such as leather bags, jute bags, shopping bags, and party bags. | Nylon, jute, corduroy, polyester, vinyl, leather, silk, and mesh | 399–3,506 |
| Bags and Luggage | The category includes sub-categories such as school bags, gym bags, files and folders, chequebook holders, sleeves and messenger bags, travel bags (without wheels), trolley bags, pouches and yoga mats, sleeping bags, and neck rests and neck pillows. | Polyester, vinyl, sponge (for yoga mats), nylon, leather, jute, lycra, and velvet | 249–6,295 |
| Business Bags | The category includes sub-categories such as laptop bags, office bags, and briefcases. | Leather, jute, vinyl, nylon, and polyester (inner layer) | 1,690–6,295 |
| Backpacks | The category includes sub-categories such as laptop backpacks, casual backpacks, trekking bags, and rucksacks. | Nylon, polyester, and jute | 695–4,795 |
| Corporate Gifts | The category includes sub-categories such as leather accessories (for example, key chains), visiting card holders, planners, diary covers, paperweights, jewellery boxes, and watch boxes. | Jute, leather, vinyl, and polyester | 176–1,850 |
| Wallets and Belts | The category includes sub-categories such as men’s and women’s wallets, belts, and mobile cases. | Leather, NDM leather, jute, silk, and polyester | 295–845 |
| Raincoats | One-piece and two-piece raincoats for men, women, and children | PVC | 225–910 |
| Jackets | Leather jackets for men only | Leather | 6,066–7,080 |
| Warrantee, conditions, and availability: all items were available on all platforms. Free shipping was available from <https://www.clubbcart.in> for Indian cities. Six months’ warrantee and free repair within that time period. Replacement of parts post-warrantee was done for a nominal charge. | | | |

Note: ₹ = INR = Indian rupee; US$1 = ₹67.9047 on December 31, 2016; PVC = polyvinyl chloride; NDM = natural dry milled.

Source: Company documents.

Exhibit 5a: CLUBB FINANCIALS (BALANCE SHEET, in ₹)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **FY 2011–12** | **FY 2012–13** | **FY 2013–14** | **FY 2014–15** | **FY 2015–16** | |
| **Equity and Liabilities** |  |  |  |  |  | |
| *Shareholder’s Fund* |  |  |  |  |  | |
| Share capital | 782,000.00 | 782,000.00 | 782,000.00 | 782,000.00 | 782,300.00 | |
| Reserves and surplus | 1,873,086.48 | 2,263,486.02 | 2,811,492.31 | 3,201,619.10 | 3,408,979.37 | |
|  |  |  |  |  |  | |
| *Current Liabilities* |  |  |  |  |  | |
| Short-term borrowings | 1,770,724.92 | 1,701,536.25 | 1,094,894.26 | 1,908,167.63 | 2,423,194.81 | |
| Trade payables | 5,483,994.53 | 6,572,487.46 | 6,773,012.14 | 5,680,500.76 | 3,451,171.82 | |
| Other current liabilities | 571,481.92 | 522,800.68 | 386,482.16 | 670,611.62 | 3375,805.63 | |
| Short-term provisions | nil | nil | nil | nil | nil | |
| Contingent liability | nil | nil | nil | nil | nil | |
| **Total Equity and Liabilities** | **10,481,287.85** | **11,842,310.41** | **11,847,880.87** | **12,242,899.11** | | **13,441,451.63** |
| **Assets** |  |  |  |  |  | |
| *Non-Current Assets* |  |  |  |  |  | |
| Fixed assets | 976,052.83 | 883,951.03 | 804,147.52 | 781,612.88 | 734,862.10 | |
| Non-current investments | nil | nil | nil | nil | nil | |
| Deferred tax assets (net) | 15,180.00 | 26,868.00 | 32,948.00 | 90,957.00 | 94,510.00 | |
| Long-term loans and advances | 78,986.00 | 98,986.00 | 103,986.00 | 128,986.00 | 128,986.00 | |
| Other non-current assets | nil | nil | nil | nil | nil | |
| *Current Assets* |  |  |  |  |  | |
| Inventories | 4,784,997.43 | 6,905,645.03 | 5,857,652.12 | 7,141,589.16 | 7,407,274.87 | |
| Trade receivables | 1,478,493.76 | 714,778.00 | 691,565.00 | 648,370.41 | 1,479,552.23 | |
| Cash and bank balances |  |  |  |  |  | |
| (i) Cash and cash equivalents | 297,485.07 | 407,347.31 | 328,201.95 | 214,071.04 | 150,358.19 | |
| (ii) Other bank balances | 2,717,475.12 | 2,360,334.12 | 3,577,501.12 | 2,803,575.00 | 3,025,265.00 | |
| Short-term loans and advances | 90,004.92 | 444,400.92 | 219,739.92 | 98,275.92 | 261,920.00 | |
| Other current assets | 42,612.72 | 0.00 | 232,139.24 | 335,461.70 | 158,723.24 | |
| **Total Assets** | **10,481,287.85** | **11,842,310.41** | **11,847,880.87** | **12,242,899.11** | **13,441,451.63** | |

Note: ₹ = INR = Indian rupee; US$1 = ₹67.9047 on December 31, 2016; FY = fiscal year.

Source: Company documents.

Exhibit 5b: CLUBB FINANCIALS (PROFIT AND LOSS, in ₹)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **FY 2011–12** | **FY 2012–13** | **FY 2013–14** | **FY 2014–15** | **FY 2015–16** |
| **Revenue from Operations** |  |  |  |  |  |
| Sale of products | 21,042,958.00 | 20,836,117.00 | 24,532,656.92 | 20,621,392.03 | 20,296,380.00 |
| Other income | 222,684.06 | 1,192,831.00 | 2,641,299.00 | 2,138,398.96 | 349,427.22 |
| **Total Revenue** | **21,265,642.06** | **22,028,948.00** | **27,173,955.92** | **22,759,790.99** | **20,645,807.22** |
| **Expenses** |  |  |  |  |  |
| Cost of materials consumed | 8,095,861.24 | 8,616,758.46 | 8,728,353.17 | 8,193,182.24 | 7,202,707.33 |
| Purchases of stock in trade | 4,683,733.00 | 3,986,700.32 | 3,732,928.00 | 1,781,875.00 | 1,361,723.00 |
| Changes in inventories of finished goods, work in progress, and stock in trade | −2,050,875.81 | −2,463,459.32 | 1,220,825.69 | −1,113,441.29 | −413,671.61 |
| Finance cost | 1,512,273.00 | 1,896,373.00 | 237,089.69 | 188,958.06 | 302,899.05 |
| Employee benefit expense | 242,094.75 | 243,085.63 | 2,263,080.00 | 2,570,428.00 | 2,587,484.00 |
| Depreciation expense | 244,698.05 | 205,467.30 | 195,474.51 | 321,759.63 | 253,640.16 |
| Other expenses | 8,134,945.79 | 8,975,311.07 | 10,002,278.57 | 10,184,053.55 | 8,938,681.72 |
| **Total Expenses** | **20,862,730.02** | **21,460,236.46** | **26,380,029.63** | **22,126,815.19** | **20,233,463.65** |
| **Profit/(Loss) Before Tax** | **402,912.04** | **568,711.54** | **793,926.29** | **632,975.80** | **412,343.57** |
| **Tax Expenses** |  |  |  |  |  |
| Current tax | −156,000.00 | −190,000.00 | −252,000.00 | −243,000.00 | −150,000.00 |
| Deferred tax written back | 22,632.00 | 11,688.00 | 6,080.00 | 40,131.00 | 3,553.00 |
| Short provision for earlier year | −6,172.00 | nil | nil | nil | nil |
| **Profit/(Loss) for the Year** | **263,372.04** | **390,399.54** | **548,006.29** | **430,106.80** | **265,896.57** |
| **Basic Earnings per Equity Shares** | **3.37** | **4.99** | **7.01** | **5.50** | **3.40** |

Note: ₹ = INR = Indian rupee; US$1 = ₹67.9047 on December 31, 2016; FY = fiscal year

Source: Company documents.

Exhibit 6: THE CLUBB CUSTOMER

Clubb had a variety of customers, both national and international, ranging from business customers to individual customers, and from online to offline customers. Business customers, who bought Clubb bags and other products as corporate gifts, swore by the designs and quality of the products. They put them on par with the best in the international market. Interestingly, the company executives responsible for these bulk orders were also the most loyal individual customers of Clubb. According to Mullick, “Samsonite buyers are not Clubb customers. The middle to upper middle-class Indians in urban metros [metropolitan areas] are my customers, as I can give them the right product at the right quality. Those who want to buy Samsonite but cannot afford to buy it, want a decent product in the range of ₹2,000–4,000 . . . so my product caters to the upper middle-class customer. The brand American Tourister also caters to the middle-class segment in the global market, but the middle class in the global market is the upper middle class in India.”

Exhibit 6 (continued)

Mullick also pointed out that customers in different states and regions had varying tastes. He said, “Another peculiarity is that the Kolkata customer does not like what is made in Kolkata. He would rather buy something made in Kanpur. They feel what is available locally is not special, and therefore they often do not buy what we produce. Regarding national and international customers, he said, “The international customer will never buy a product manufactured from synthetic material. Such products just don’t have buyers on the Clubbcart.in site. The Indian customer's choice depends on his need and the price range he can afford."

One great advantage of Clubb going online was that former customers, which Clubb had lost due to a lack of dealers in certain areas, came back. Arup Mullick said, “For example, we still have a large customer base in Mumbai and now we are able to deliver to them through our online platforms. Also, almost 90 per cent of our eBay sales come from the Mumbai customer base. eBay has its regional office in Mumbai, so it is able to cater to the region’s demand very well.”

There had also been a slight shift in Clubb’s consumer base. Of the shift, Arup explained, “This can be traced to 2012. I graduated from college in 2011, and then moved into the family business. That was when I took a conscious decision to make my products more appealing to people of my age group, as well as to those who belonged to a younger age group. You can see the impact of my decision perhaps from the year 2014 onwards. Earlier, the major segment we catered to was in their mid-40s or even above. That was our potential market. Now, in the last two years, my entire target segment is much younger. Bags for college-goers and backpacks for younger students are thus the greatest revenue contributors. Earlier, my parents made the purchase decisions while buying schoolbags and raincoats for their children. But now, that is no longer the case. Especially if you look at online sales, it is not parents but their children that mostly search for and buy these items.”

Source: Company documents, and the case authors’ interviews with the company directors.

Exhibit 7: THE CLUBB COMMUNICATION MODEL

Tarun Mullick was not an active believer in traditional advertising and communication; Clubb never used any of the regular media vehicles. The firm carried out only one mega media event, in 2010, when along with the National Jute Board of India, Clubb made the world’s largest pure jute shopping bag (two bags), which measured 21 feet by 26 feet and earned a place for itself in the Limca book of records. It was kept on display in the City Centre shopping malls at Salt Lake City and the New Town area in Kolkata.[[18]](#endnote-18)

Interestingly, Mullick was always in the news when his jute–leather diversified products were presented by the chief minister of Bengal to dignitaries or celebrities. The entrepreneur was also involved in training sessions and entrepreneurial talks at premium educational institutes. Mullick conducted several entrepreneurship development programs for the National Centre for Jute Diversification and the National Jute Board, Ministry of Textiles, Government of India. The programs led to the development of several entrepreneurs. He also conducted skill-based training sessions for prison inmates at the Tihar Jail, Delhi.

Mullick shared, “I continue to take teaching sessions. I want to share my story, and whatever . . . I have learned from experience. I want to give it back to society so that someone else can benefit; otherwise, my learning has no meaning. My biggest achievement is that I have been able to create more than 200 entrepreneurs so far.” The father–son duo also ran classes on entrepreneurship and digital marketing for budding entrepreneurs.[[19]](#endnote-19)

Source: Company documents, and the case authors' interviews with the company directors.

Endnotes

1. This case won the first prize in the ISB-Ivey Global Case Competition 2017. The ISB-Ivey case competition was sponsored by ISB. [↑](#endnote-ref-1)
2. Travel Goods Association, accessed May 13, 2017, http://travel-goods.org. [↑](#endnote-ref-2)
3. The figure is based on the percentage indicated by Tarun Mullick in the authors’ interview with him on February 14, 2017. [↑](#endnote-ref-3)
4. Allied Market Research, Leather Luggage and Goods Market by Type (Travel Bags, Casual Bags, Business Bags, Purses, Wallets and Belts, Handbags, Footwear)—Global Opportunity Analysis and Industry Forecast, 2014–2022, accessed May 18, 2017, www.alliedmarketresearch.com/leather-goods-market. [↑](#endnote-ref-4)
5. All currency amounts in ₹ unless otherwise stated. ₹ = INR = Indian rupee; US$1 = ₹67.9047 on December 31, 2016. [↑](#endnote-ref-5)
6. Parama Sen, “The Growing Indian Luggage Market Packs a Punch,” India Retailing, July 18, 2016, accessed May 18, 2017, www.indiaretailing.com/2016/07/18/retail/the-growing-indian-luggage-market-packs-a-punch. [↑](#endnote-ref-6)
7. “Bags and Luggage in India,” Euromonitor International, July 2017, accessed May 13, 2017, www.euromonitor.com/bags-and-luggage-in-india/report. [↑](#endnote-ref-7)
8. Ibid. [↑](#endnote-ref-8)
9. “Leather Industry in India,” AISHTMA, accessed May 18, 2017, www.aishtma.com/leatherindustry.html. [↑](#endnote-ref-9)
10. IANS, “Slaughterhouse Ban to Hit Leather Goods Industry, Hit Exports,” *Indian Express*, April 1, 2017, accessed May 18, 2017, http://indianexpress.com/article/india/slaughterhouse-ban-to-hit-leather-goods-industry-hit-exports-4594967. [↑](#endnote-ref-10)
11. “Tarun Mullick’s Speech on Entrepreneurship at PRSI 38th All India PR Conference (DEC 2016) Kolkata,” YouTube video, 15:22, posted by Clubbcart, January 17, 2017, accessed May 18, 2017, https://youtu.be/cGiuQzNFAFg. [↑](#endnote-ref-11)
12. VIP Industries was the undisputed market leader for three decades in the mid-range travel goods segment. [↑](#endnote-ref-12)
13. Anjie Zheng and Josh Beckerman, “In the Bag: Samsonite Confirms Deal to Buy Tumi,” *Wall Street Journal*, March 4, 2016, accessed May 18, 2017, www.wsj.com/articles/samsonite-confirms-deal-to-buy-tumi-1457047863. [↑](#endnote-ref-13)
14. “Bags and Luggage in India,” op. cit. [↑](#endnote-ref-14)
15. Maria Thomas, “An Indian Company is Taking to the Skies With its Wanderlust-Inspiring Luxury Leather Goods,” Quartz India, January 16, 2017, accessed May 17, 2017, https://qz.com/885890/nappa-dori-an-indian-company-is-taking-off-with-luxury-leather-goods-that-would-make-wes-anderson-proud. [↑](#endnote-ref-15)
16. The Indo-Italian Chamber of Commerce and Industry, *The Indian Leather Industry*, June 2008, accessed May 18, 2017, https://smallb.sidbi.in/sites/default/files/knowledge\_base/TheIndianLeatherIndustry.pdf. [↑](#endnote-ref-16)
17. Ajita Shashidhar, “Identity Crisis,” *Business Today*, June 21, 2015, accessed May 18, 2017, www.businesstoday.in/magazine/corporate/vip-industries-brand-image-issues-against-competitors/story/219966.html. [↑](#endnote-ref-17)
18. “World’s Largest Jute Bags Promoted in India—A NTD Television Report,” YouTube, 1:41, posted by Clubbcart, December 15, 2016, accessed May 18, 2017, https://youtu.be/jzfBxHwEyqw. [↑](#endnote-ref-18)
19. Details about the course can be found at “Entrepreneurship & Digital Marketing,” Clubb Cart, accessed May 18, 2017, www.clubbcart.in/digital-marketing-entrepreneurship-training-in-kolkata. [↑](#endnote-ref-19)