Detailed Analysis of why Jabong Failed

1. ***About Jabong***

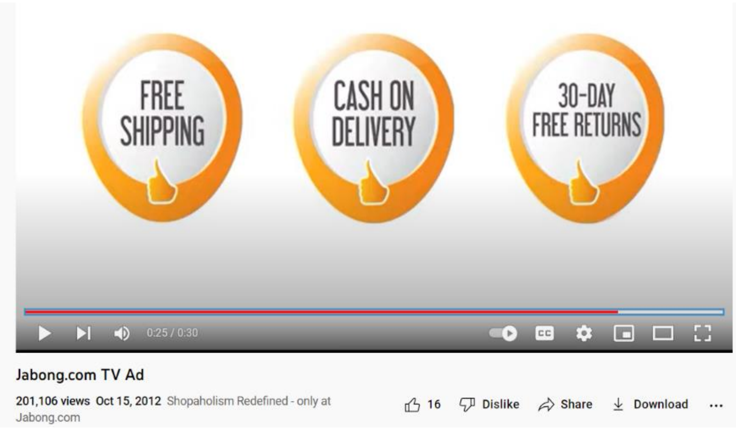
A. *<u>What was Jabong ?</u>*

Ecomerce (Indian fashion and lifestyle)

JABONG COM

Be you

- E-commerce portal started in Oct 2011 to take fashion online in India to next level bringing international brands.
- founded by Praveen Sinha, Arun Chandra Mohan, Lakshmi Potluri and Manu Kumar Jain having headquarters at Gurugram, NCR, India.
- The company launched its first TV campaign in March 2012.
- It became India’s biggest fashion and lifestyle giant for men, women and kids.
- In July 2016, Flipkart’s myntra acquired Jabong for US $70 million.
- In 2020, it was completely shut down.



<u>B. Company size (Financial, Employees, Stakeholders and Investors etc.)</u>

- According to The Economist, Jabong clocked gross revenue of around US $100 million in FY2012.
- In 2014, it had a market share of 25 % with annual revenue of US $ 76 million.
- As per a Rocket Internet investor presentation, Jabong had a net revenue of 32.6 million euros in Q1 2016, up 14% from 28.6 million euros in the Q1 2015. For FY2015, its revenues were at 122.1 million euros (US $ 132 million).

- Jabong investors — Investment AB Kinnevik and Rocket Internet AG — had merged the Indian online fashion retailer with four other firms (HV capital, Kotak Mahindra bank, Yes bank, Global fashion group, British international investment) to create a new global fashion e-commerce giant.

- Rocket Internet , a German investment company runs the business in which they help new companies to implement the successful business models of US/ Europian companies in smaller countries like India, Sri Lanka, Bangladesh. The giant company acquire that company when they come to smaller countries where their model is already running helped by Rocket Internet. Hence, the company exits the market but Rocket Internet makes high profit. So, Jabong was also like these models by Rocket Internet. That's why they invested in this company. Excellent Strategy, planning, execution and management helped by Rocket Internet helped Jabong to grow.

Jabong Funding Rounds

Date	Funding Amount	Funding Round	Investor Details
Oct 18, 2017	$7.69M	Conventional Debt	Kotak Mahindra Bank
Aug 31, 2017	$31.1M	Conventional Debt	YES BANK
Mar 01, 2016	$20M	Series B	Global Fashion Group
Feb 05, 2014	$100M	Series A	Rocket Internet, British International Investment and 1 others
Jan 01, 2012	Undisclosed	Seed	HV Capital

Jabong Investors

British International Investment
London, United Kingdom

Kotak Mahindra Bank
Mumbai, India

ROCKET
Rocket Internet
Berlin, Germany

HV
HV Capital
Munich, Germany

& 5 others

C. What was their revenue model?

Jabong worked on 2 business models such as Inventory model and Managed market place model. Jabong's revenue model is three fold:

1. **Retail Sales-** The profit margin which Jabong gets by selling its products online. It follows the inventory model.

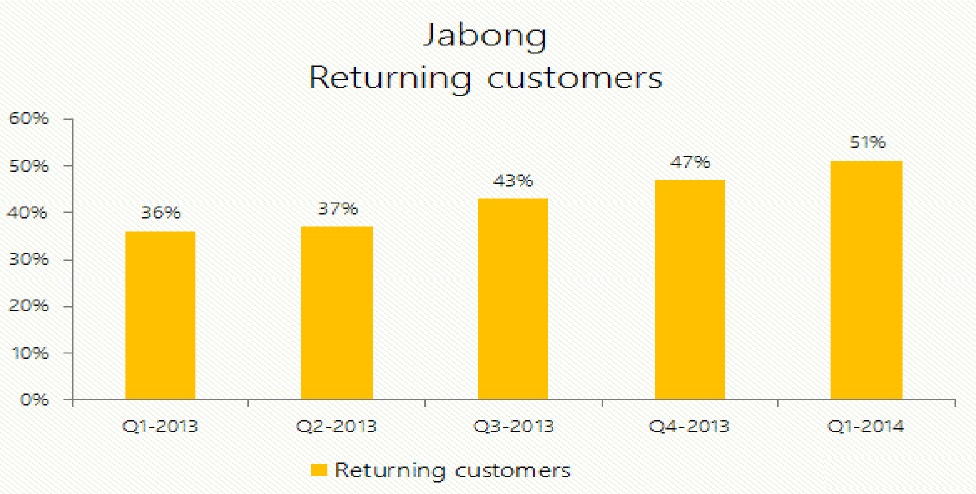
Inventory model: Jabong follows the Inventory Model, wherein it sources its products directly from the brands and stores it in its warehouse. They sold the products online whenever demand comes, resulting them making high profits.

2. **Commission on third party sales-** It follows the "managed marketplace" model.

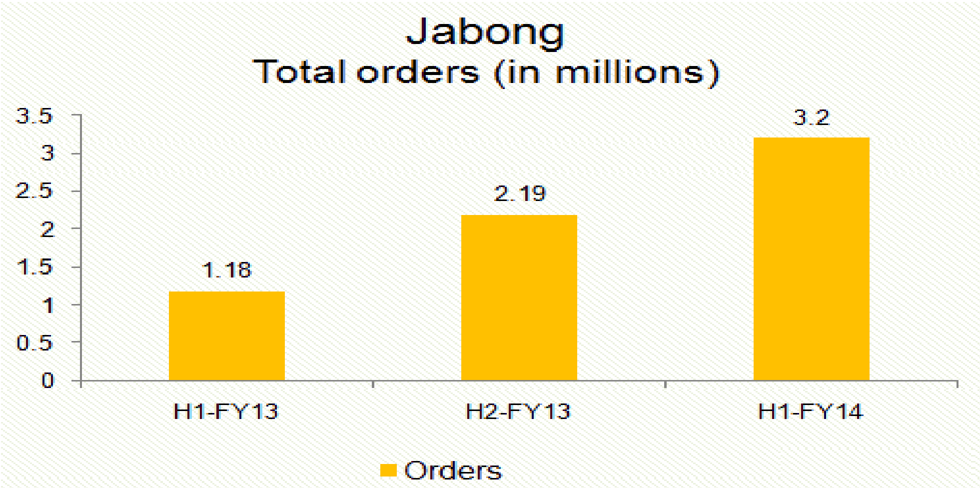
Managed market place model: The website has basically partnered with various e-commerce retailers such as Yepme, and works by blocking their inventory. So while Jabong does not store the inventory sold by these vendors, what it does is basically act as an online supermarket where the customer can have access to products sold by all their partners and brands. Jabong gets commission on such third party sales.

3. **Advertisement Revenue-** Revenue generated from sponsored advertisements on Jabong's website and app.

D. Customer analysis



In quarter – 01, 2013, customer repeat % was 36% whereas in quarter – 01, 2014, it rose up to 51 %.



In half – 01, 2013, total orders were 1.18 millions, whereas in half – 01, 2014 it rose up to 3.2 millions.

In March 2013, Jabong was dispatching over 6,000 orders a day whereas in Sept, 2013 it crossed 15,000 orders a day.

According to a ComScore report of September 2012, Jabong.com had the second highest amount of traffic on its website, among Indian e-commerce websites, within a few months of its launch. It also became the10th most searched term on google in 2012 in India.

E. Product/Service Analysis

The portal sold apparel, footwear, fashion accessories, beauty products, fragrances, home accessories and other fashion and lifestyle products for men, women and kids.

Pestel Analysis of E-commerce industry

Political	**Economics**	**Sociological**	**Technological**	**Ecological**	**Legal**
Political Stability ensures how much a business will flourish. Companies must be flexible to adapt to these changes and plan their strategies accordingly.	Economic factors are directly related to business and their effect is also direct on business revenue and profits. The rapid increase in the growth of individuals and hence the disposable income of people has given e-commerce business a boost.	It might affect the growth of the e-commerce industry. The busy lifestyle of people and availability of window shopping without pedalling has increased the interest in online shopping. The millennial and Gen Z customers like to shop online. These two generations are the main target of ecommerce brands and they are also among the most tech savvy buyers.	Technological factors are very important in the context of the ecommerce industry. It is because the industry relies heavily on technology. Everything is based on technology in e-retail from sales to customer service. All the ecommerce brands are in a race to be technologically ahead of their competitors The introduction of the latest software to manage and track orders and their details can help companies in managing accounts with fewer errors and more profits.	Environmental factors too have a special importance in the context of Ecommerce industry. While the direct environmental impact of this industry is very low, it still focuses heavily on sustainability. From sustainable packaging to waste reduction and renewable energy, there are several areas where the e-retailers can invest in sustainability	Legal compliance is just as important for the digital businesses as physical businesses globally. Any tussle with the law can be a costly affair and even the e-retail brands can become a target unless they take care of compliance.

About Market

- *Key competitors in that period*

Jabong gained more revenue in less time.

In 2012, when jabong founded, Amazon was not in India and also, Flipkart was not into fashion business. So, at that time main ecommerce companies in fashion market were

- Jabong
- Myntra
- Voonik
- Yebhi.com
- Fashion & You

Voonik was started in 2013, and was an online market for women fashion whereas Myntra was also the major fashion online clothing company founded in 2007.

- *Position of Jabong in market compared to other competitors*

Growth of Jabong was better than that of Myntra.

	Jabong Revenue	**Myntra Revenue**
2011 - 2012	4 crore INR	65 crore INR
2013 - 2014	527 crore INR	552 crore INR

Jabong had over 1,500 brands, sports labels, Indian ethnic and designer labels and more than 1.5 lakh styles in its kitty from more than a thousand sellers.

	Jabong	**Myntra**
Brands	1500 +	1000 +
Products	1.5 lakhs +	1 lakh +

- *PR and Media*

Jabong Marketing Strategy & Marketing Mix (4Ps)

Marketing Strategy of Jabong analyses the brand with the marketing mix framework which covers the 4Ps (Product, Price, Place, Promotion).

(i) **Jabong Product Strategy:**

The product strategy and mix in Jabong marketing strategy can be explained as follows:

- Jabong is one of the most popular ecommerce portals in India for apparel & accessories shopping. The online e-commerce store is the service that Jabong offers to its customers as a part of its marketing mix. The user interface of the online store has been made consumer friendly so as to help them navigate through the portal with ease with products classified into five distinct categories namely Men, Women, Kids, Sports, and Accessories. Since Jabong has a diversified portfolio in which there are subcategories within these main categories.
- Further, it also maintains a fashion blog, "The Juice Style Insider", on the same portal to provide its consumer with guides and relevant articles. Overall, Jabong features more than 1,50,000 products from more than 1500 brands consisting of many new international brands which also includes private labels owned by Jabong. They also bought Dorothy perkins into india.

(ii) **Jabong Price/Pricing Strategy:**

Below is the pricing strategy in Jabong marketing strategy:

- Jabong's main revenue stream is from the retail sales in which it charges a profit margin on the sold products from the consumers from its inventory. The products listed on the online Jabong portal have been priced competitively as it faces stiff competition from several rival e-commerce companies and is also burning cash, invested by the investors, to attract and retain new customers by offering them discounts and deals on the products.
- Also, Jabong charges a third party sales commission from the vendors for providing the logistics, marketing and delivery services to them. This gives an understand in the marketing mix pricing strategy of Jabong brand.

(iii) **Jabong Place & Distribution Strategy:**

Following is the distribution strategy in the Jabong marketing mix:

- Jabong has its headquarters in Gurgaon, NCR but has a strong presence not only in India but also in other countries. They also had international business through Jabongworld.com getting highest online traffic in US, Mauritius, Malaysia.
- It can be accessed through all digital platforms such as Android phones, iPhones, Mac or Windows with dedicated applications also available for free download. Thus, Jabong is accessible to anyone with an access to a system and an internet connection. It operates using a inventory business model under which it sources products directly from the brands and stores it in its warehouse based on the demand of the products but also

operates as a managed marketplace for other vendors without storing their inventory and provides them marketing, logistics and delivery.

- They had a concept of open box delivery at the doorstep by delivery boy to make trust among customers and also has a policy of 30- day return.

(iv) **Jabong Promotion & Advertising Strategy:**

The promotional and advertising strategy in the Jabong marketing strategy is as follows:

- Jabong is primarily promoted through social media. The digital media is used to enhance the transactions and revenues and social media to increase engagement with its customers. Also, E-mail based marketing is done for existing users based on their recent purchase history.
- Offline media, which comprises of small portion of its total marketing spend, are used to generate awareness in small towns and cities. Jabong are also focused towards attracting female shoppers more than men. Further it also undertakes frequent sale promotion campaigns by offering discount coupons and vouchers for various contests.
- Jabong exclusively uses TV commercials to promote the brand. Jabong came up with many advertisements attracting big designers like Nishika, Priya darshina rao, Wander rodrex. They had a very good marketing strategy starring Alia bhatt, kangana renawaut, Diljeet in TV advertisements.
- Jabong associated with Bollywood movie “Yeh Jawaani Hai Deewani”, .”Bhaag Milkha Bhaag” for movie fashion apparels , Virender Sehwag for cricket bats,.
- Jabong launched the India Online Fashion Week in 2014 with Yami Gautam. They also came up with different adv. campaigns like “be you”, “gear up” etc. Jabong.com launched a monthly fashion magazine "The Juice" in 2014 which covers stories and features around fashion, beauty, people, trends, travel and pop culture.

<u>Failure Cause and Effect Analysis :</u>

Stages of failure:

- In May 2014, Flipkart acquired Myntra to expand its market into online fashion and lifestyle items. Jabong was doing better than myntra but now after this acquisition Myntra was going to become more strong than Jabong in fashion business by the support of Flipkart.
- Then Jabong took funding of US $ 27 million from CDC group to compete with Flipkart's Myntra. But with time, its market share got decreased and then investors put it into global fashion group (GFG) having other companies such as dafti, lamoda, the iconic, and zalora. Jabong was not performing good in the market. Therefore, the investors decided to sell the company to Flipkart's Myntra for US $ 70 million in July 2016.
- Jabong's web traffic claimed to have declined to 2.5 million in Jan 2019 from 7.5 million in June 2018 while traffic to Myntra during the same period remained unchanged at 30 million. Also, in December 2019, active users of jabong website dropped by 11 % and app. Downloads by 13 % compared to previous month. Also, Flipkart stopped all branding and marketing campaigns. Now, Flipkart's Myntra was doing better than Jabong in the market where both were into the fashion business. Therefore, Flipkart decided to put more money into Myntra than Jabong to make myntra more good so that it can focus completely on fashion apparels on single platform. Hence, in Feb 2020, Jabong was completely shut down and its users are redirected to Myntra's website. Myntra currently has over 3,000 brands on the platform and over 22 million monthly active users.

Reasons of failure:

- **No competitive edge:** Jabong had no product/service differentiation with that of Flipkart's myntra.
- **Funding crush:** Jabong investors stopped investing and also company was burning lots of money over deals/discounts to compete with flipkart's myntra. Due to which company got cash out. Jabong's revenue got doubled from around 500 crore INR in FY 2014 to 1000 crore INR in FY 2015 but their losses more than doubled from around 17 crore INR to 44 crore INR.
- **Corporate governance issues**: Corporate governance was bad in the company. Co-founders such as Manu Kumar Jain left the company followed by Lakshmi Pothluru. At the end of 2015, other 2 co-founders also left the company.

- **Lack of focus and single vision:** New leadership management who joined the organisation had no single vision/goals. They had lack of focus because one wanted to work on scalability, other on market capture and sustainability.
- **Employees trust:** When Jabong was acquired by Flipkart's myntra, around 150 employees were fired which results into fear and lack of trust among employees.
- **Exit timings:** In November 2014 after 6 months of Flipkart- myntra deal, Jabong would have been sold to Amazon for US $ 1.2 Billion but the deal did not happen. After that many big companies such as Alibaba group, Future group, Aditya Birla, Snapdeal wanted to buy it but Jabong waited for late till its bad situation when it was sold badly to Flipkart's Myntra in US $ 70 million.
- **Media reputation damage:** There was some conflicts between Jabong and Rocket Internet which results in media reputation damage for Jabong.

- *New competitor in Market*

  Mynta and Flipkart were the main competitor at that time. Flipkart was selling not only cloths but also the household items and everything that one can do by just one click. So having the diverse field for consumers, because of that they were able to raise fundings. Flipkart did not develop the inventory, they also not charging on the retail sales for discount. Also they were not charging the delivery person as like in Jabong.

- *PR or Media reputation damage*

  They were spending heavily money on advertisement but goals were keep changing and also due to some conflicts and lack of trust among employees they damaged their media reputation.

- *Socioeconomic causes*

  As per the source we found that the main CEO's were leaving the company in the financial year 13-14. So may be the internal issues between higher Authorities. But due to that goal were changing and result of that Jabong sales were 38 Cr in that year. This was the Key time when investors not investing in the Company. Investor listed the company in GFG but without focusing on services. At that time company management was not running or taking the decisions. Investor was taking the decisions.

What could be done differently to save the business?

Jabong was no. 1 online fashion brand in the Indian market. To maintain it at no. 1 we could have done these things-

- **Wait for the market to grow:** Jabong should have waited for some more time to survive in the market because during 2015-2016 Indian ecommerce market was taking some time to get ready. In 2016 when Jio came with 4G then market actually grew a lot because of cheap and better internet technology.
- **Creating a differentiating factor and maintaining it:** Upgradation in product/service is required with time according to market needs and competition.
    - **Adding more features to the technology:** Showing better comparison between different brands/products according to needs/ likes of customers in terms of money, quality and service which can help customers to save time. Also, enhancing the application/website interface experience which is easy to use and makes customer happy and attached.
    - **Enhancing service:** Providing different size try option at home and then choose.
    - **Sticking the customer:** trying to make a life-long customer by giving them attractive deals/discounts where you buy more with time you get more benefits in terms of other product/services.
    - Targeting customers from all age groups, income class, cultural/ region on different festivals/occasions such as Diwali, Holi, Birthday etc. for personalised gifting options.
- **Better exit timings:** If the target was to have a good exit, the management should've evaluated their value as per market and close out the deals that were offered to them instead of becoming greedy for better deal. (Amazon offering $1.2 Bn in 2015).
- **Keeping the focus on the single target:** There was never a same target of the company as the main focus of the investors was to find a good exit deal. The focus should've been on growing the brand There was never a same target of the company as the main focus of the investors was to find a good exit deal. The focus should've been on Growing the brand as it was making name for itself and growing rapidly as it was making name for itself and growing rapidly.
- **Finding other investment source:** The major investors (Rocket Internet) having its focus on exiting, the Co-founders could look for other investment options as the competition required more funds to offer discounts and other deals to the customer to retain them.