

## THE VANCA: REWORKING DIGITAL MARKETING STRATEGY

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*Jones Mathew and Banasree Dey 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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Sheena Mehra, a 25-year-old financial analyst with a top consultancy firm in Gurgaon, northern India, was looking for something stylish to wear to her company's annual dinner a couple of days away. A friend of hers had told her about a women's Western wear brand but she could not remember its name. Mehra was about to call her friend but remembered she was out of the country for a week. She tried the next best thing: Google. She typed "women's Western wear" into her phone and got numerous results. None of them was the brand her friend had mentioned. She tried again with "women's Western apparel," "women's fashion," and "women's apparel online shopping." Still nothing. She gave up and decided to go to one of the many online marketplaces and choose from the brands available there. At the annual dinner, Mehra wore her new outfit and was complimented by her friend, who had returned from her business trip abroad. When asked, "Is that dress from The Vanca?" Mehra admitted that she had not been able to remember the brand name. Later, she went on The Vanca's Facebook page and posted a comment: "Great products but couldn't remember your brand name. So bought something else." She was pleasantly surprised when she received a call from the brand only two days later.

For Rajeev Sinha, chief executive officer of The Vanca, Mehra's Facebook post was the last straw. The Vanca was a women's Western apparel manufacturing and marketing company based in Gurgaon, National Capital Region, India. Sinha was painfully aware that the brand's name did not appear in the first three pages of Google search results, even after five years of existence. On the other hand, he knew his company's products were excellent. Existing customers were happy with The Vanca's designs, fabric quality, and colour palettes. Orders often outstripped the firm's ability to supply. Yet a significant percentage of The Vanca's target audience had never heard of the company, which bothered Sinha. Accordingly, in March 2016, he decided to hire a full-time digital marketing manager (DMM); he also had to decide what the role's key result areas would be, and how those areas could be assessed.

## ONLINE RETAIL LANDSCAPE IN INDIA

The online retail (e-tail) sector in India had been growing spectacularly, and was projected to reach US\$14.5 billion<sup>1</sup> by 2018,<sup>2</sup> according to one estimate. Further, India was one of the fastest-growing e-tail markets across the Asia-Pacific region, with 8.6 million users being added every month on the second-largest user base in the world (354 million as of June 2015).<sup>3</sup> Travel-related transactions constituted approximately 70 per cent of Internet retail in India, followed by (in descending order of size) electronic gadgets, apparel and accessories, home décor, furnishing, and books. The largest e-commerce companies in the country were Flipkart, Snapdeal, Amazon India, and Paytm.

### Preferred Payment Method

The cash on delivery (COD) service emerged as one of the most popular means of generating trust in the Indian e-commerce market, because Indian consumers were more comfortable handling cash than using credit and debit cards for their online purchases. Sellers bore the cost of COD services in an attempt to motivate customers to shop online. However, almost 70 per cent of overall deliveries led to higher indirect costs as compared to direct costs. On an average transaction amount of ₹500, the service cost of every COD transaction was almost 15 per cent of the order's value. In addition, certain customers added to the COD cost for sellers by ordering products and then cancelling, rejecting, or changing orders midway through the process.<sup>4</sup>

### Government Intervention

In March 2016, India's Ministry of Commerce and Industry intervened on behalf of brick and mortar (B&M) retailers and manufacturer brands, and put pressure on "e-tailers" to discontinue deep discounting as a business model, among other things (see Exhibit 1). The ministry also stipulated that there would be separate relaxed taxation rules for start-ups incorporated from 2016 onwards,<sup>5</sup> which meant that companies that incorporated earlier (e.g., The Vanca) would miss out on certain tax benefits and see fewer benefits on their bottom lines.

### Deep Discounting and Cash "Burn"

Indian e-tail was characterized by deep discounting, even though it was not a viable model. Sinha reasoned that with widespread "discount conditioning" there would be serious withdrawal symptoms if the government's new e-commerce rules were to come into play. He knew that in many categories, such as furniture and grocery, there was aggressive marketing, but the investments were unviable and unplanned.

<sup>1</sup> US\$1 = ₹67.3835 on March 15, 2016; ₹ = INR = Indian rupee.

<sup>2</sup> PTI, "Indian Online Retail Market to Cross Rs 88,000 Crore By 2018," *The Economic Times*, October 28, 2014, accessed March 15, 2016, [http://articles.economictimes.indiatimes.com/2014-10-28/news/55521315\\_1\\_indian-online-online-shopping-portals-internet-penetration](http://articles.economictimes.indiatimes.com/2014-10-28/news/55521315_1_indian-online-online-shopping-portals-internet-penetration).

<sup>3</sup> Neha Alawadhi, "India's Internet User Base 354 Million, Registers 17% Growth in First 6 Months of 2015: IAMAI Report," *The Economic Times*, September 3, 2015, accessed May 4, 2016, [http://articles.economictimes.indiatimes.com/2015-09-03/news/66178659\\_1\\_user-base-iamai-internet-and-mobile-association](http://articles.economictimes.indiatimes.com/2015-09-03/news/66178659_1_user-base-iamai-internet-and-mobile-association).

<sup>4</sup> Digital Ekalavya, "Problem with Cash on Delivery – Issues and Challenges," Digital Ekalavya Blog, July 8, 2012, accessed September 12, 2016, <http://digitalekalavya.blogspot.in/2012/07/problem-with-cash-on-delivery-issues.html?view=sidebar>.

<sup>5</sup> "Start-Up Founders Discuss Taxation, Regulatory Issues with Commerce Minister," *The Hindu Business Line*, July 28, 2016, accessed August 30, 2016, [www.thehindubusinessline.com/economy/startup-founders-discuss-taxation-regulatory-issues-with-commerce-minister/article8911678.ece](http://www.thehindubusinessline.com/economy/startup-founders-discuss-taxation-regulatory-issues-with-commerce-minister/article8911678.ece).

This resource “burn”<sup>6</sup> had been justified as inevitable in achieving various milestones in the evolution of a digital marketing campaign. Cash burn had been extensively used by e-commerce companies for pumping discounts into the market to create trial and loyalty.<sup>7</sup> The philosophy of Internet marketing companies in India centred on the “last man standing” approach, in which the company with the ability to spend the most money in promoting and marketing would ultimately survive and succeed. As Sinha described the approach, “It is a marathon with sprints in between.” In his opinion, the lure of the discounting strategy to pull customers to a brand would not work over the long term.

Sinha’s doubts were corroborated by what was happening at Chinese e-commerce company Alibaba Group, where a movement away from price discounting of merchandise, and towards a model called online to offline (O2O), had started. The O2O model involved merchants drawing customers into their B&M stores by offering reduced pricing via Internet advertising.<sup>8</sup> “Value addition is the key to online success,” stated Sinha. Of the few true success stories in the e-tailing domain, grocery delivery companies had managed to secure relatively stable results.

### Adoption of Online Retail by Modern Retailers

“In the tussle between online and offline, I think eventually both will survive,” Sinha stated. Kishore Biyani,<sup>9</sup> known as “the father of Indian retailing,” was completely against online retailing but had to re-strategize by acquiring Urban Touch and adopting an omni-channel approach. Similarly, other big retail players—such as Aditya Birla’s Online Fashion (ABOF), Reliance Industries’ Ajoio.com, Tata CLiQ, Raheja’s Shopper’s Stop, and other apparel and lifestyle brands—had all gone the omni-channel way with e-stores. These companies arrived at their decision to pursue many different channels after much logical thought. For instance, ABOF showcased how retail should work, and why deep online discounting would harm all companies. The company created the best teams and focused on experiential marketing strategies that it planned to follow, and decided how to create and use different themes and stories on its sites to engage bloggers. Unfortunately, not all of these strategies worked. Eventually, ABOF was forced to follow the same deep discount model that so many other retailers had chosen.

Ajoio was a simple but well-curated fashion portal. Like ABOF, Ajoio initially intended to follow a different strategy, and adopted a dual e-commerce model like that of Flipkart—a general merchandise marketplace and fashion portal, Myntra. This strategy stemmed from the benefits of high margins in the fashion business, while the marketplace strategy had low margins but encompassed a vast range of products. Both Ajoio and ABOF adopted the premium-curated-no-discounts strategy. ABOF found the ideal pricing spot to be ₹600–900 (approximately US\$10–\$14), while Ajoio adopted a premium and exclusive positioning in order to differentiate itself from Jabong and Myntra. This strategy had unintended repercussions. Customers would go online and explore the offerings on ABOF, and then go to Myntra to buy the same items at a discount. In this way, this movement was not O2O, but online to discounted online (O2DO). Neither ABOF’s “no discounts” policy nor Ajoio’s premium, exclusive strategy worked. The Vanca had adopted both discounting and full-price routes to sell its products.

<sup>6</sup> “Burn” was the expending of resources, primarily venture capital funding, on high-level advertising and deep discounts without any commensurate return on investment. Many Indian online companies were following this route to increase customer pull and retention.

<sup>7</sup> Abhinav Singh, “Flipped Cart,” *The Week*, September 18, 2016, accessed October 22, 2016, [www.theweek.in/theweek/business/management-reshuffle-flipkart.html](http://www.theweek.in/theweek/business/management-reshuffle-flipkart.html).

<sup>8</sup> Tom Brennan, “China’s O2O Market Moves Beyond Deals and Discounts,” ALIZILA, May 10, 2016, accessed July 22, 2016, [www.alizila.com/chinas-o2o-market-moves-beyond-deals-discounts/](http://www.alizila.com/chinas-o2o-market-moves-beyond-deals-discounts/).

<sup>9</sup> Kishore Biyani was the Indian founder and chief executive officer of Future Group, an Indian private conglomerate, headquartered in Mumbai. The company was known for having a significant prominence in Indian retail and fashion sectors, with popular supermarket chains. Big Bazar, Pantaloons Fashion & Retail, T24 Mobile, and Central were subsidiaries.

### Segmentation and Targeting by Online Marketplaces

E-tail in India had grown rapidly, with many marketplaces curating products and services to appeal to different customer segments based on product mix and price points. Myntra was a high-volume, affordable fashion platform; Jabong was a platform showcasing international brands; Flipkart had a large active customer base (particularly in Tier 2 and Tier 3 cities), selling simple, classic styles, with 60 per cent of the company's products having the same average selling price as those of Myntra and Jabong. Jabong and Myntra had a 70:30 and 30:70 customer base breakup ratio, respectively, between metro cities and Tier 2 and 3 cities in India. Finally, Amazon was a logistically strong e-marketplace capable of delivering to any part of the country.

### THE VANCA: COMPANY BACKGROUND

Started in 2011, The Vanca grew from an e-commerce start-up to a small enterprise in just five years. By March 2016, the company employed close to 150 people, and had grown from achieving an annual sales turnover of ₹15 million and occupying 140 square metres of factory space to achieving ₹200 million in annual sales turnover and occupying 2,300 square metres of factory space in 2015–16 (see Exhibit 2). From 2012 to 2016, The Vanca's overall sales figures grew rapidly each year at 173 per cent, 63 per cent, 87 per cent, and 60 per cent, respectively. The brand quickly made its mark on e-tailer marketplaces such as Jabong, Amazon, Snapdeal, and Myntra (see Exhibit 3). The Vanca's agility in addressing market demand was supported by its investment in information technology for the entire value chain; this investment, along with the brand's strength in responding to the mercurial changes in fashion by way of delivering "drops" within seasons, were the company's unique selling propositions.

For some time in 2014 and 2015, The Vanca's management had a difficult time figuring out what to do with the high-margin, heavily embroidered designs in its product mix, which were not moving fast enough. These products had unique fabrics and intricate ornamentation and embellishments.<sup>10</sup> Sinha realized that one of the major drawbacks of e-tailing was the inability of the medium to offer the same customer experience as offline, B&M stores. Yet, online shopping did offer many benefits in comparison to offline stores, including instant comparisons, wide product and brand selections, lower prices, and suggestions based on past purchases.

The Vanca solved the shortcomings of the online experience by investing in so-called shop-in-shop branded stores within modern retail setups such as Shoppers Stop and Lifestyle. Shop-in-shop was a popular retailing strategy adopted by brands that involved renting space in another (usually larger) retailer's store, and selling their products within the larger retailer's format by refurbishing it with their own brand elements. This strategy offered benefits such as shared marketing costs, better sales generation, shared demand creation, and faster speed to market for both retailers.<sup>11</sup> After The Vanca adopted the shop-in-shop approach, sales of its slow-moving products moved up from 10 per cent of the basket to 19.5 per cent in a span of 12 months.

The Vanca's marketing strategy initially focused on operating independently. However, partnerships with national marketplaces such as Myntra, Jabong, and Amazon motivated The Vanca to realign itself with the marketing strategies of these online marketplaces. As Sinha stated, "We decided to hitch our wagon to the marketing strategy of the mega online marketplaces. Going it alone hadn't made sense for us." He explained

<sup>10</sup> Jones Mathew and Pinaki Dasgupta, *The Vanca: Dilemmas of an E-Commerce Entrepreneurial Startup* (London, ON: Ivey Publishing, 2015). Available from Ivey Publishing, product no. 9B15M035.

<sup>11</sup> Raghavendra Kamath, "Retailers See Future in Shop-in-Shops," *Business Standard*, June 23, 2009, accessed November 8, 2016, [www.business-standard.com/article/companies/retailers-see-future-in-shop-in-shops-109062300029\\_1.html](http://www.business-standard.com/article/companies/retailers-see-future-in-shop-in-shops-109062300029_1.html).

the reason for the company's poor results of its efforts to create awareness: "India is too vast to make an impact with small budgets. The market is fragmented and the media is kaleidoscopic. It required new thinking and new budget allocations which included taking a hit on profits as the marketplaces focused on deep discounts to drive business."

Towards the end of 2015, Sinha realized that despite extensive effort, The Vanca was making little headway in terms of brand recognition or brand recall among untapped customers. As a start-up without external funding, the company was cautious about spending too much on traditional media, feeling that digital media would be more suitable. Sinha emphasized:

We matured in the right way . . . so [we] would not like to change our marketing strategy. . . . The market was not right for The Vanca to start the marketing effort because brand building is an expensive affair. There were channels available that were doing free marketing for us . . . so our journey had been more or less right.

Yet, Sinha knew that the company needed a dedicated DMM; therefore, he created a job description for the position and posted it online (see Exhibit 4).

### **NOT IF, BUT WHEN AND HOW**

Kishore Biyani was a late convert to the idea of e-tail as a viable medium for retailing. The Future Group (promoted by Biyani) ultimately had to venture into the digital space with the acquisition of Urban Touch, and adopted an omni-channel strategy. Birlas' ABOF and Reliance's Jio also journeyed on the same route, and reinforced the growing belief that either B&M or Internet-based retailing alone was not enough—instead, "blick" (a hybrid of B&M and "Internet click") was the way forward. With B&M retailers pursuing this hybrid direction, The Vanca decided to explore an omni-channel approach in the reverse direction: from online only to a combination of online and offline approaches.

### **THE ROLE OF DIGITAL MARKETING AT THE VANCA**

Digital marketing played a significant role in The Vanca's diversification into the blick mode. The Vanca identified three core objectives for its digital marketing strategy: increasing traffic to the brand's website and conversions, building the brand through value addition, and generating brand loyalty at retail. Sinha noted that "traditional media has not been relegated to the background, as is evident from television and print advertisements, which show no signs of letting up despite the steady incursion of digital media." Digital marketing accounted for 5–7 per cent of The Vanca's marketing budget, which was generally in the range of 7–8 per cent of the total sales turnover. "That might be a small amount in absolute terms, [but because] digital marketing channels are typically much cheaper than traditional media, the smaller outlay is large enough to give the brand a focused marketing thrust," Sinha observed (see Exhibit 5).

Digital marketing for The Vanca primarily revolved around search engine optimization, search engine marketing, blogs, content building, display remarketing advertisements, affiliate marketing, email marketing, text messages, paid ads (e.g., on Google, Facebook, and Twitter), app-based promotional campaigns, and social networking sites (see Exhibit 6). These basic tools had helped the brand sell to 1 million customers so far. However, Sinha was not satisfied: "We could direct traffic to our site and even to other collaborative sites, but it was not giving us the value addition we desired."

Email marketing efforts did serve their primary purpose of generating traffic, but did not lead to satisfactory conversions. Each digital channel could cater to a different objective. There were many channels that created awareness, knowledge, and customer retention. For example, all social media channels created brand awareness. Around 85–90 per cent of users on social media were not buyers; it was just a brand awareness platform for them.

Blogs were useful for brand knowledge and for creating awareness about the product's quality, fabric, and styles. Emailed flyers were sent twice a week: once on Mondays to announce new launches, and again on Fridays to announce sales or discounts. For customer retention purposes, remarketing advertisements were mainly used. Site visitors were tagged and relevant advertisements, called "product listing advertisements," popped up later on other websites, after the visitor left the original site. In this regard, Google picked up the specified product entered into the keyword search and displayed the appropriate product, encouraging the viewer to purchase it. Normally, Google claimed 1–2 per cent conversion on remarketing ads. However, when targeted very specifically on discussion forums and on affiliate sites, this conversion rate could enter the double digits.

Sinha admitted,

There was [a learning curve] for us as well . . . We also started changing, moving towards a lot of content, blogging, linking with customers, [and showing] them . . . how The Vanca was relevant to their lifestyle. A campaign called "Face On" was launched building on the theme of "The Vanca Woman." We tried to identify who this "Vanca Woman" was [and] we did a lot of brainstorming and identified certain key attributes. . . . The Vanca Woman was between 18 and 40 years, independent and working, very socially active, and liked to party (see Exhibit 7).

According to research commissioned by The Vanca, approximately 20–30 million consumers could be targeted who satisfied all the characteristics of The Vanca Woman persona. "Based on this customer profiling, we started creating wardrobes according to her roles: workplace wardrobes, evening wear wardrobes, party wear wardrobes, and so on. It was to be a long-term campaign," explained Sinha. The segmentation and targeting were clear from the beginning, as profiled in The Vanca Woman persona.

From a positioning perspective, The Vanca pitched itself as "European fashion for the beautiful you." The role of digital marketing was likely to become increasingly complex and important as the company contemplated a differentiated channel strategy for the future. The revamped strategy involved curating particular lines of products for different e-commerce marketplaces. Thus, Jabong would get a different mix of The Vanca products from the mix that Myntra might receive (based on their respective customer types). Management estimated that this move would ensure exclusivity and uniqueness among channels, and possibly overcome the discount wars across marketplaces. The expected spinoff benefit was that both genuine customers and brand loyalty would increase.

## THE ROLE OF ANALYTICS AT THE VANCA

When Sinha realized that The Vanca's products had received the highest number of hits on an e-commerce platform, but not the highest number of sales, it became clear that there was a mismatch between site visits and conversions. However, it was not clear whether this mismatch was due to pricing strategies, poor presentation of products, or the absence of the right sizes and fits. The Vanca immediately engaged in data analytics to find out what was causing the disconnect. The e-tailer's most popular items were quickly

identified, and specific step-by-step actions were taken. Certain predetermined discounts ranging from 15 to 50 per cent were offered, and these discounted products were monitored regularly by the marketing team.

Until 2015, The Vanca had used Intelligence Node, a Mumbai-based retail analytics software firm, for its data-crunching requirements, but the company then moved to using StoreHippo, a Gurgaon-based mobile commerce platform that provided comprehensive turnkey solutions for e-tailers. Access to e-commerce marketplace sales data was available from those marketplaces on request. Sinha said, “Analytics is the best way to improve performance in the market. It helps to manage what is measured. It gives a complete analysis of how a brand and its competitors have performed in a certain period.”

Activities by competitors of The Vanca, such as Forever 21, Forever New, Vero Moda, Jack and Jones, H&M, Only, and Zara,<sup>12</sup> were analyzed for competitive strategies. Sinha stated, “We were closely analyzing our competitors using online tools such as SEMrush, SimilarWeb, and others and found that every e-commerce company was focusing on remarketing display ads.”

In terms of marketing, The Vanca used social media mailers, social media branding ads, affiliate marketing, and Google Ads. There were some important analytics parameters to consider, including the bounce rate,<sup>13</sup> pages per visit, average session duration, traffic source, landing pages, and exit pages. Google Analytics also provided real-time user data.

According to Sinha,

For a start-up company trying to build its own sales channel where the brand awareness was not very strong, conversion rates would always be slightly lesser than the average conversion rate in e-commerce (which was usually around 2–3 per cent of the number of daily visitors). Effective conversion rates depend on various factors: quality of landing pages, relevant content, look and feel of the website, [number of] options to choose from, ease of transactions, return policy, multiple payment options, and promotional coupons. The Vanca’s expected conversion target was 1–2 per cent of daily visits, whereas we could achieve only 0.5 per cent of 2,000 daily visits.

## THE VANCA AS AN INNOVATOR

One of the challenges faced by online customers was the lack of on-the-spot advice or assistance before making a purchase. Sensing this gap in the customer experience, The Vanca had started a chat room on its website to help customers overcome this problem. However, the implementation of this idea left much to be desired. Occasionally, one of the in-house designers would enter the chat room and answer queries that had piled up; it was not a 24/7 initiative, which went against the main characteristic of online commerce (i.e., constant availability, unlike most physical stores). Customers quickly lost interest when queries were not answered immediately. The initiative was well intentioned but poorly executed, and The Vanca hoped to improve in this respect. “With the new digital focus, we are going to ensure that we respond quickly—within a time frame of 30 minutes—to improve the experience that customers get with our brand,” Sinha asserted.

<sup>12</sup> Meenakshi Kumar, “Vanca’s A/W 2016 Collection Will Warm into People’s Hearts,” FashionUnited, August 2, 2016, accessed August 30, 2016, <https://fashionunited.in/news/retail/vanca-s-a-w-2016-collection-will-warm-into-people-s-hearts/2016080213937>.

<sup>13</sup> “Bounce rate” referred to the number of times a visitor visited a site and left without taking any action. A high bounce rate was not necessarily a bad thing for a website. It simply meant that there was probably no appropriate action button on the website, although the website was otherwise useful to many visitors in terms of information.

A second innovative initiative that The Vanca undertook was to acquire official fashion bloggers, who (together with a chat room expert) would give the customer a rich feel for the brand with very useful information that would help the decision-making process. This approach was aimed at improving the customer experience and leveraging it as a differentiator for the brand. The Vanca intended to capture and respond to 5–10 per cent of the 1,000 to 2,000 orders received per day using chat room experts and fashion bloggers; Sinha worried that “anything beyond this would become unmanageable without a significant increase in [the company’s workforce].”

In a third innovative approach, site optimization for The Vanca website was managed by professionals. Their digital marketing agency focused on ascertaining the right high-ranking keywords, and inserted them into the company’s website to enhance optimization. Like other companies, The Vanca also purchased certain keywords after determining that they had an organic link to the website. It would be one of the new DMM’s tasks to control and synergize the marketing activities for a greater impact.

The Vanca’s fourth innovative idea was the strong belief that there was profit to be made in crafting each customer journey seamlessly and unobtrusively. Sinha clarified this vision:

We want customers to come onto the site, be well greeted without any intrusion into their privacy, . . . browse the collections, and [then we will] record whether they bought anything or not. In the latter case, . . . after a reasonable period of time, [we would] send a reminder about the products browsed but not purchased, along with other related product suggestions. Based on the response from the customer, we would go in the appropriate [direction], offering and suggesting more products and suitable discounts until they purchased. For those who did not respond, we would not intrude on their privacy. Instead, at monthly intervals, new season launch information would be sent with the customers’ permission, wherever possible (see Exhibit 8).

From the company’s inception, Sinha had focused on a few key strategies to help The Vanca differentiate itself from its many competitors; primary among these were an efficient supply chain, tie-ups with large e-commerce platforms, within-season drops, rapid innovation, and access to cutting-edge international fashion trends.<sup>14</sup>

Finally, offline retailing had taught The Vanca much about online retailing and marketing. For instance, Sinha recalled, “The Vanca learned that for the first 30 to 45 days after a launch, no discounting should be done; between 45 and 60 days after a launch, slow discounting should be done; and after 60 days, deep discounts or liquidation sales should be undertaken.” Couponing, another offline retailing technique, was also introduced. With couponing, the discount load share between vendor and marketplace ranged from 30 to 50 per cent, and depended on negotiations.

## THE DIGITAL MARKETING MANAGER ROLE AT THE VANCA

On May 10, 2016, Abhishek Dhiman would arrive at The Vanca for his first day of work as the company’s new DMM. Sinha had to ensure that Dhiman understood the problems at hand in order to plan an effective digital marketing course of action. In Sinha’s mind, Mehra’s experience and resulting Facebook comment were a major concern. He was contemplating the nature of the first direction-setting conversation that he needed to have with Dhiman. He wondered whether Dhiman was more of a hands-on person, or if he had a good knowledge of the micro- and macro-environmental factors affecting digital marketing. Was he fully

<sup>14</sup> Jones Mathew and Pinaki Dasgupta, op. cit.



aware of the elements of digital marketing? Sinha prepared a brief presentation on a couple of PowerPoint slides to discuss with Dhiman (see Exhibits 9 and 10).

In addition to improving sales and meeting targets based on a return on investment, the DMM would have many other responsibilities, including new tie-ups with payment gateways, tie-ups with third-party sales channels based on affiliate marketing, brand awareness campaigns on various social media channels, display advertisements, email marketing, and remarketing. Dhiman would also be responsible for creating brand awareness to help generate sales from other e-commerce channels (e.g., Myntra, Amazon, and Flipkart), each of which had to be target oriented. The DMM would also be tasked with moving the conversion rate from the current 0.5 per cent to a better-than-industry-average conversion rate of 2 per cent. If 20 per cent of the overall marketing budget was allocated to digital marketing, the DMM would be responsible for contributing 20 per cent or more to the overall sales target.

## CHALLENGES

With the advent of digital platforms in the mid-2000s, the marketing ecosystem had changed drastically. Sinha was aware that The Vanca needed to obtain better results from its digital marketing efforts. The company's biggest challenge was its inability to convert high web traffic into conversions. Now that Sinha had a dedicated DMM in place, it was essential that the new team deliver on integrating the digital marketing efforts to generate more sales from The Vanca website and other online points of sale.

Sinha also had to face the reality that his brand failed to appear anywhere in the top search pages of important search engines. Mehra's experience forced him to think of all the other customers out there who were not even aware of The Vanca. The high growth rate of the 2012–13 period was cooling off. Sinha worried that for every customer that purchased the brand's products, there could be two or more potential customers lost due to lack of awareness.

Finally, the Indian government had changed certain guidelines on e-commerce operations, which would likely hamper the relationship between manufacturer-suppliers (like The Vanca) and e-marketplaces. Therefore, the survivability of brands like The Vanca would be affected, because these brands relied on marketplace platforms to reach out to customers in a vast country like India. How would these new rules curtail deep discounting and coupon-based sales promotions by e-marketplaces? How would this curtailment affect The Vanca? Reworking The Vanca's digital marketing strategy was an important task. How could the role of the DMM be fine-tuned in order to achieve increased customer awareness and the higher traffic-to-sales conversion rate that Sinha had set out for the digital marketing team?

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**EXHIBIT 1: SNAPSHOT OF FOREIGN DIRECT INVESTMENT POLICY GUIDELINES AFFECTING E-COMMERCE IN INDIA (2016)**

<b>Policy guideline 1:</b> A marketplace will only provide a platform for brands to sell their products. No ownership rights shall be exercised over goods being sold.	<b>Policy impact 1:</b> Individual brands are responsible for complaints on goods or services bought on a marketplace site.
<b>Policy guideline 2:</b> The marketplace is forbidden to hold inventory and to sell private labels.	<b>Policy impact 2:</b> Marketplaces will be severely hit because 15–20% of their revenues come from private labels.
<b>Policy guideline 3:</b> E-commerce platforms cannot have more than 25% of sales on their platform coming from one vendor or its group companies.	<b>Policy impact 3:</b> Amazon and Flipkart will be affected badly because they have stakes in seller companies such as WS Retail and Cloutail, respectively.
<b>Policy guideline 4:</b> Marketplaces will not directly or indirectly influence the sale price of goods and services.	<b>Policy impact 4:</b> End of discounts on marketplaces.

Source: Ajita Shashidhar, "Time to Reinvent," *Business Today*, May 8, 2016, accessed June, 2016, [www.businesstoday.in/magazine/corporate/fdi-guidelines-e-commerce-cos-think-to-lure-consumers/story/231141.html](http://www.businesstoday.in/magazine/corporate/fdi-guidelines-e-commerce-cos-think-to-lure-consumers/story/231141.html).

**EXHIBIT 2: THE VANCA, CATEGORY-WISE SALES FIGURES FOR 2012–2016 (ALL PRICES IN ₹)**

2012/13							
Product Category	Normal (plain items)			Special Item (sequins, special texture, expensive materials, etc.)			Sales Value
	Avg. Price	Sales Qty.	Sales %	Avg. Price	Sales Qty.	Sales %	Total Sales
Jackets	2,000	3,000	4	3,000	500	8	2,790,000
Dresses	1,500	35,000	44	3,000	3,000	50	22,878,000
Lowes	900	5,000	6	1,500	500	8	1,953,000
Tops/Shirts	900	37,000	46	1,500	2,000	34	13,503,600
		<b>80,000</b>			<b>6,000</b>		<b>41,124,600</b>
2013/14							
Product Category	Normal			Special Item			Sales Value
	Avg. Price	Sales Qty.	Sales %	Avg. Price	Sales Qty.	Sales %	Total Sales
Jackets	1,500	10,000	7	8,000	1,000	9	9,269,000
Dresses	1,100	60,000	44	2,500	5,000	45	31,635,500
Lowes	900	15,000	11	1,200	1,000	9	5,924,100
Tops/Shirts	900	50,000	37	1,500	4,000	36	20,553,000
		<b>135,000</b>			<b>11,000</b>		<b>67,381,600</b>
2014/15							
Product Category	Normal			Special Item			Sales Value
	Avg. Price	Sales Qty.	Sales %	Avg. Price	Sales Qty.	Sales %	Total Sales
Jackets	1,800	20,000	12	3,000	4,000	22	25,296,000
Dresses	1,300	60,000	36	2,500	7,000	39	50,328,500
Lowes	1,000	15,000	9	1,300	2,000	11	9,275,200
Tops/Shirts	1,000	70,000	42	1,500	5,000	28	40,842,500
		<b>165,000</b>			<b>18,000</b>		<b>125,742,200</b>
2015/16							
Product Category	Normal			Special Item			Sales Value
	Avg. Price	Sales Qty.	Sales %	Avg. Price	Sales Qty.	Sales %	Total Sales
Jackets	2100	24,000	11	3,000	5,000	21	40,548,000
Dresses	1400	75,000	36	2,500	8,000	34	77,500,000
Lowes	1100	20,000	10	1,500	3,000	13	16,430,000
Tops/Shirts	1100	90,000	43	1,500	7,500	32	68,355,000
		<b>209,000</b>			<b>23,500</b>		<b>202,833,000</b>

Note: avg. = average; qty. = quantity  
Source: Company materials.

**EXHIBIT 3: CHANNEL-WISE DISTRIBUTION OF THE VANCA'S BUSINESS**

Channel Partners	2013/14		2014/15		2015/16		Planned 2016/17	
	% of Vanca's Business	Trans-actions (Monthly)	% of Vanca's Business	Trans-actions (Monthly)	% of Vanca's Business	Trans-actions (Monthly)	% of Vanca's Business	Trans-actions (Monthly)
E-tailer 1	37	4,000	30	4,500	28	6,000	30	7,500
E-tailer 2	18	2,000	15	2,200	14	3,000	15	3,700
E-tailer 3	39	4,200	31	4,700	21	4,500	22	5,500
Brick & Mortar	0		10	1,500	9	2,000	0	0
E-tailer 4	0		5	750	7	1,500	8	2,000
E-tailer 5	0		0		6	1,200	6	1,500
E-tailer 6	0		3	500	6	1,200	6	1,500
E-tailer 7	0		0	0	2	500	3	750
E-tailer 8	0		0	0	3	750	3	750
The Vanca & Others	6	700	5	800	5	1,000	6	1,500
<b>Total</b>		10,900		14,950		21,650		24,700

Note: Percentage columns may not add up to exactly 100% due to rounding.

Source: Company materials.

**EXHIBIT 4: JOB DESCRIPTION, DIGITAL MARKETING MANAGER****Job Responsibilities**

- Grow the site [www.thevanca.com](http://www.thevanca.com)
- Be completely in charge of digital marketing and conversion
- Lead a team working on blogs, social postings on Instagram, Facebook, and others
- Be responsible for return on investment for money spent and help grow sales
  - organically, by off-page and on-page links;
  - by digital marketing, working with Facebook, Google, Yahoo, etc.;
  - by site management of The Vanca—catalogue, inventory and promotions;
  - by growing the account and building enough traction to develop a team;
  - by taking ownership of digital marketing campaigns and building a brand strategy for The Vanca and long-term sales planning; and
  - by product management tasks ownership, including site management, application development, and new tie-ups and integration with 3rd-party services.

**Essential Requirements:**

- Demonstrable experience leading and managing search engine optimization, search engine marketing, marketing database, email, social media, and/or display advertising campaigns, and setting up or optimizing Google Adwords campaigns
- Proven working experience in digital marketing with strong data-driven analytical skills
- Should be creative with experience in identifying target audiences and devising digital campaigns that engage, inform, and motivate; working knowledge of HTML, CSS, and JavaScript
- Experience in optimizing landing pages and user funnels
- Experience with multivariate experiments
- Understand and have very good knowledge of website analytics tools (e.g., Google Analytics, SimilarWeb, NetInsight, Omniture, WebTrends)

Source: Company materials.

**EXHIBIT 5: CURRENT AND FUTURE DIGITAL MARKETING SPENDING STRATEGY**

**AUTHOR:** How is the digital marketing spending budgeted at The Vanca?

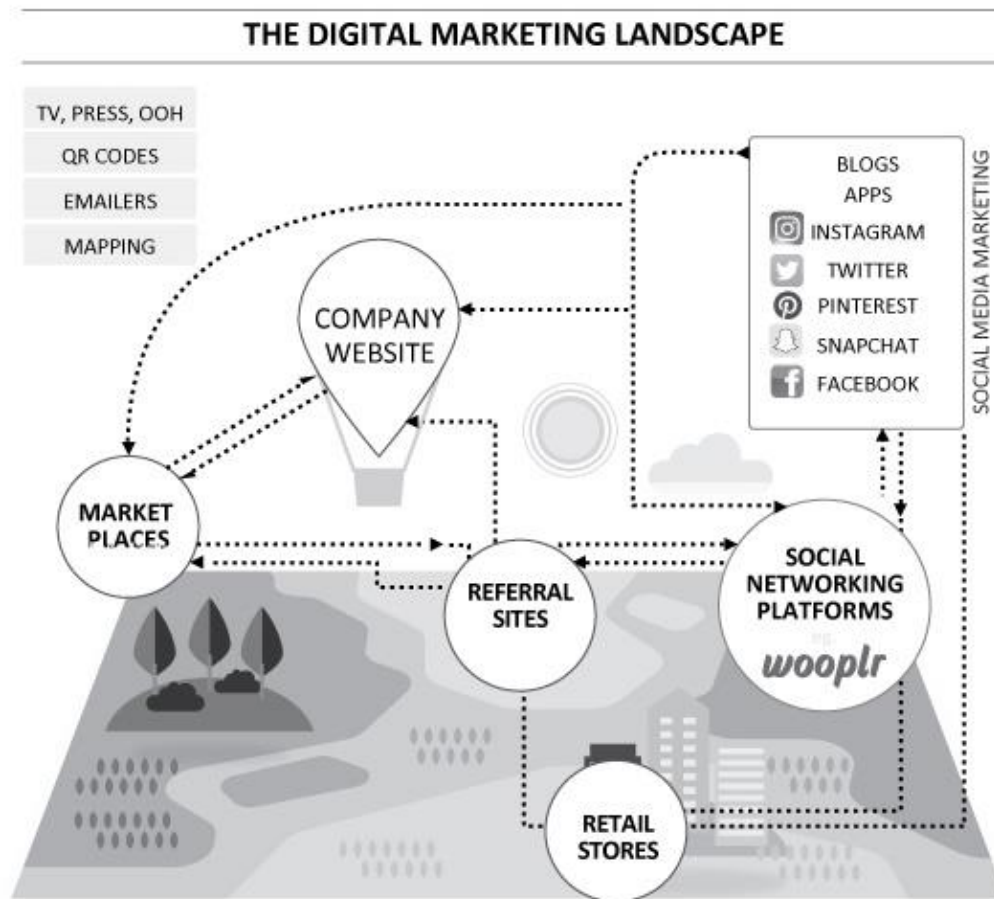
**RAJEEV SINHA:** Digital marketing at The Vanca gets 5–7 per cent of the marketing budget, which is generally in the range of 7–8 per cent of the total sales turnover. Sales turnover was approximately ₹200 million in 2015/16, which translates to ₹16 million as annual marketing budget (7–8 per cent of sales). In 2016, digital marketing spending has increased to 10 per cent (from 5–7 per cent in 2015). This translates to ₹1.6 million (10 per cent of 16 million) with average monthly spending of ₹133,333 on digital marketing.

**AUTHOR:** How do you see spending and focus on digital marketing changing in the near future?

**RAJEEV SINHA:** The ad spending strategy for 2016/17 is to increase digital marketing spending to at least 20 per cent (from 10 per cent). With a 2016/17 sales plan of ₹300 million, the overall marketing budget (8 per cent of planned sales) becomes ₹24 million, giving an outlay of approximately ₹4.8 million (20 per cent of marketing budget) for digital marketing, which in turn translates to ₹400,000 every month. This fund would primarily be channelled into Google display ads, Google Adwords, PLA, Facebook, Twitter, Instagram, and YouTube. Hence, our discounts, channel ads, etc. constitute 80 per cent of marketing, and about 20 per cent would be allocated to pure digital. In the future, we would be increasing the overall digital marketing spend to an even higher percentage, and at the same time, [we would] try to do a few things like awareness and brand building, seasonal collection launch and preview teasers, sales and promotions and pushing sales at The Vanca's site, aggressive digital marketing, public relations, high visibility, and a growth-oriented focus. The long-term objective is to have The Vanca sell at least 30 per cent from its own channel. This would need a very strong brand presence.

Source: Created by the case authors based on interviews with company management.

## EXHIBIT 6 THE DIGITAL MARKETING LANDSCAPE

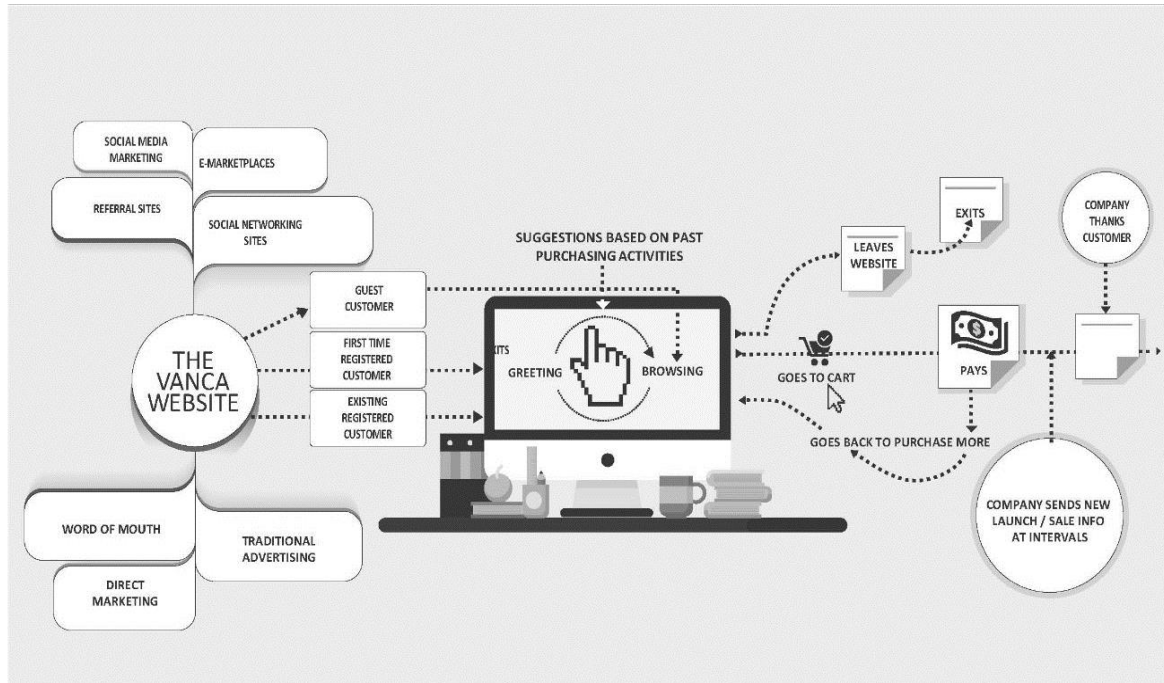


Note: TV = television; OOH = out of home (advertising); QR Codes = Quick Response Codes; apps = applications  
 Source: Created by the case authors based on discussions with company management.

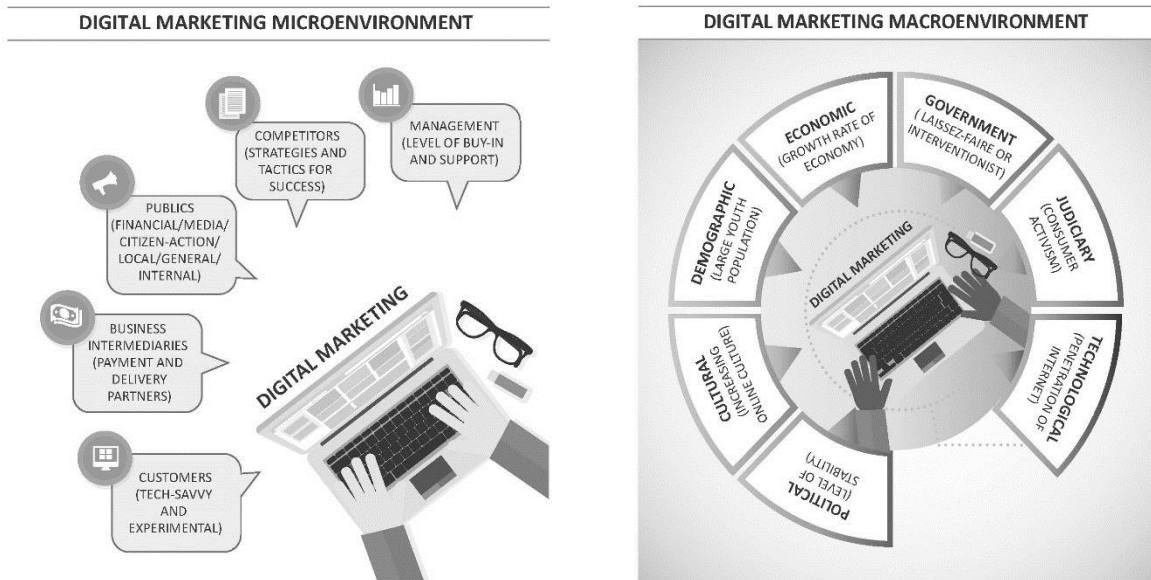
EXHIBIT 7: THE VANCA WOMAN



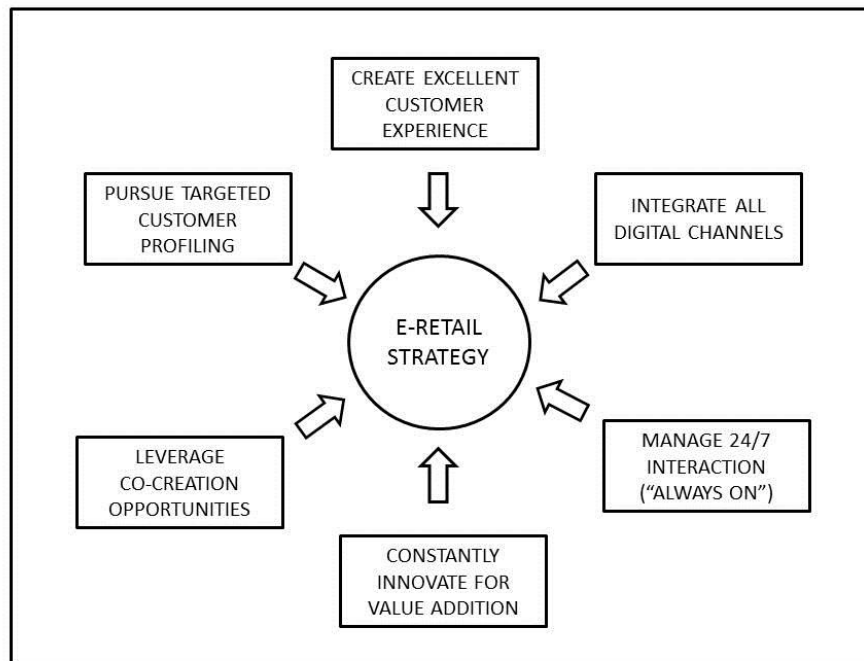
Source: Company materials.

**EXHIBIT 8: CUSTOMER JOURNEY MAP AT THE VANCA**

Source: Created by the case authors based on discussions with company management.

**EXHIBIT 9: DIGITAL MARKETING MICRO- AND MACRO-ENVIRONMENTAL FACTORS**

Source: Created by the case authors based on discussions with company management.

**EXHIBIT 10: ELEMENTS OF E-RETAIL STRATEGY**

Source: Created by the case authors based on discussions with company management.