The Vanca Case Analysis. On the Importance of Holistic Approach to Digital Marketing in Medium-Size Business

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THE VANCA CASE ANALYSIS.

On the importance of holistic approach to digital marketing in medium-size business

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Abstract

The Vanca case demonstrates an important dilemma of small and medium businesses in highly competitive market segments: their limited resources call for very precise decisions on marketing spending priorities; these decisions should come as a result of deep analysis linking consumer behavior to company economics; yet the companies do not have the necessary analytical skills within them. As a result they get immersed in technicalities of marketing campaigns, instead of building an integrated marketing vision, this puts them in disadvantageous position against the bigger players in the segment. Building a holistic framework of effective marketing for the brand before the development of technicalities of approach to online marketing campaign may be a good way for the new Digital Media Manager to start his new job. The suggested framework builds on some research findings on the specific of consumer behavior in fashion industry, the typical strategies followed by the market player, the specifics of the Indian online fashion market and the position of The Vanca company relative to the competition.

The analysis suggests two strategic dilemmas for the company, solving them requires more data on company economics than provided within the case. The first dilemma is whether the company should follow the "brand builder" of "fast mover" strategy, the second dilemma is should the company insist on turning its own site into a major sales channel or use it more as an image-driving vehicle, relying on the third-party sites for sales. Within any strategy the company should base its approach to marketing, including the structuring and presentation of information on its own site, on the data-driven segmentation of customers. The point of departure should be differentiation between the "aspirational" and "situational" customers, with the aim of introducing more segmentation through data analysis within the Customer Relationship Management system.

A roadmap of six steps is suggested, with the aim of installing the process of constant improvement of the company's online performance, ultimately moving into the model of "data-driven" company with most of key business decisions made on the basis of "hard" analysis of consumer behavior and the company's economics. Communicating this plan to the management of the company could be a personal challenge to the new Digital Marketing Manager, as it would significantly depart from the initial brief he received. Yet the roadmap is based on analysis of the key marketing factors and allows building a strategy for consistent improvement of the company's operational results. The fact that the company took in May 2018 the pains to completely renovate its web site shutting it down for at least 10 days probably indicates that it finally saw the need of fresh strategic approach to the whole of its marketing.

"India is too vast to make an impact with small budgets"
Rajeev Sinha, CEO of The Vanca (Mathew and Dey, 2017)

Introduction

The Vanca case demonstrates an important dilemma of small and medium businesses in highly competitive market segments: their limited resources call for very precise decisions on marketing spending priorities; these decisions should come as a result of deep analysis linking consumer behavior to company economics; yet the companies do not have the necessary analytical skills within them. As a result they get immersed in technicalities of marketing campaigns, monitoring the metrics and not actually analyzing them. This puts them in disadvantageous position against the bigger players in the segment, which can afford to develop significant analytical resources within their organization.

Overcoming the challenge is not impossible, as will be demonstrated in the further analysis. The first step, though, is the understanding of the problem by top managers, usually founders and owners of the companies, who typically make the final strategic decisions in small and medium business. They need to get aware of the necessity of operating within a holistic strategic vision that comes before marketing tactics and makes them effective.

Suggested Approach

The Vanca case essentially illustrates the challenges of developing the marketing strategy in the digital age in a market segment which is both highly competitive and highly fragmented. This fragmentation allows small and medium businesses to achieve sustainable market success through focused strategy and precise tactics. While the questions that are put forward in the case, like boosting site traffic and increasing conversion rates, do have certain technical solutions, they also call for bringing in a broader conceptual framework. As pointed by Kotler and Keller (2011), holistic approach is essential for success of the overall marketing strategy. Thus the issues of improving certain metrics of on-line performance of the brand may be effectively sold on the basis of insightful answers to a set of questions like:

- What is the customers' core need(s) in the market segment?
- What is The Vanca brand promising to the customers?
- What is its strategy of competitive differentiation on the market?
- How this strategy translates to the message of communication across various channels?
- How do media of marketing communications work together to reinforce this message and deliver it to the right audience in the most efficient way?
- How the company can be sure its level of marketing spending allows to build sustainable economic future in the ever-changing competitive context?

The text of the case suggests - e. g. through the structure and wording of the digital brief - that the management of the company lacked the integrated vision on those issues (the hypothesis will be studied in details later on). Yet, being a relatively small player on the vast and competitive market, The Vanca would need such a vision in order to set the right priorities and make the effective decisions within limited resources. Building a holistic model of effective marketing for the brand before the development of technicalities of approach to online marketing campaign may be a good way for the new Digital Media Manager to start his new job.

Expanding on the Kotler and Keller (2011) view of holisticity of marketing a framework can be suggested for analysis of the key marketing factors affecting The Vanca online performance. The framework includes four domains; getting insights in each of them could be instrumental in setting the strategic priorities for company's online marketing efforts:

1. Fashion market, with three analytical perspectives:
   - Consumer perspective, answering the questions like "why people are buying fashion?", "what role fashion purchases play in their life?", "what they expect and expect not from the fashion brands?";
   - Industry perspective, answering the questions like "what are the established value chains, sales and marketing channels?", "what types of marketing strategies are followed by typical market players?", "what are the conventions for communication with consumers?";
   - Marketing perspective, combining the understanding of consumer behavior and industry economics into the practical approaches to management of fashion brands;
2. Online retailing as applied to fashion: what specifics is brought by the digital sales and marketing channels as opposed to the traditional "bricks and mortar" stores, both from the perspective of consumer behavior and industry competition?;
3. Indian market: what is common and what is specific about the Indian consumers, manufacturers and retailers compared to the players in other fashion markets; specifically to which extend the approaches and instruments of marketing developed elsewhere can be applied for competition in Indian online fashion retailing?;
4. The company and the brand: how The Vanca relates to the overall market picture, what are the strengths and weaknesses of the company and the brand vs. the market in which it operates, what can be leveraged for achieving success, and what limitations should be taken into consideration?

Depending on the pressure of immediate business issues and the available resources, the analysis can be done with more or less substantiation through results of international academic and business research, anecdotal analysis of effective practices and additional field work with the customers. However, regardless of the depth of the research dive it is essential that the company internalizes the holistic approach to planning its marketing, putting the strategic "big vision" ahead of technicalities of application of specific instruments of marketing communications.

The Vanca: Analysis of Marketing Factors

1. **Fashion Industry**

Fashion as an industry was first studied more for its social role (e. g. Veblen and Chase, 1934), than direct economic impact. The situation started to change with the advent of first "pret-a-porter" fashion lines[1] and later the "fast fashion" (brands like Zara, H&M, etc.). These developments made fashion items affordable for mass consumers and stimulated frequent purchases, turning fashion into a highly globalized industry with complex supply chains and marketing strategies. It has also led to complex sets of patterns of consumer behavior, which combine internal psychological and external social motives[2]. There is a significant body of literature on the industry that brings in some important insights which can be put to practical use.

From the consumer perspective we deal with the dynamic interaction of motives, which include the ones related to "self" (like the desire to "treat oneself", "express one's personality", etc.) and the ones related to "others" (demonstrating belonging to or not belonging to certain social group, seeking to conform to a set of norms or, sometimes, to demonstratively break with them). The purchase decisions may be both spontaneous and planned[3], and these patterns can interchange in the behavior of one given consumer depending on the circumstances. The design of the products plays very strong role in the purchase decisions, sometimes more important than brand or price[4] (additionally price may play a negative role in selection, indicating that the item is "too cheap" and thus unacceptable from the point of view of social status). At the same time the increasing affordability of the fashion items from the "fast fashion" brands promoted frequent purchases, it is not uncommon for some customers to purchase a few fashion items weekly. Additionally the

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[1] See Saviolo, 2002 for motivation behind the development of one of the first of such lines by Giorgio Armani in 1970s

[2] There is a significant body of research that covers three domains: (a) the aspects of consumer attitudes (Sproles, 1974; Wang, 2010; Hogg & Banister, 2010; Goldsmith, Moore, Beaudoin, 1999; with the former article setting a generalized conceptual framework, which was widely used by further authors); (b) the specifics of organization of fashion industry with focus on its business processes and supply chains (Lane and Probert, 2004; Christopher, Lowson, Peck, 2004; Bonetti & Schiavone, 2014); (c) the use of understanding of the motives and patterns of behavior of the fashion customers for the management of fashion companies and brands (Saviolo, 2002; Brïdson & Evans , 2004; Cheng, Hines & Grime, 2008; Fionda & Moore, 2009; Taslidza & Weiss, 2016). A book by Hines and Bruce (2007) combines the three perspectives seeking to give the comprehensive picture of fashion industry management for students and practitioners.

[3] With some inclination towards spontaneousness. E. g. in a research project in Sweden consumers were asked to rate the degree of planning of fashion purchases on a scale of 1 ("never plan") to 5 ("always plan"). Of the received answers 55% were 1 and 2 (very low degree of planning), 27,5% was 4 (high degree of planning) and there was no "5" in the results (Holmberg & Öhnfeldt, 2010). The results may be not fully representative due to small sample size and social and geographical bias; arguably the more affluent are the customers (vs. the given price level for fashion items) the higher degree of spontaneity they can demonstrate. Thus for markets like India, where even the "fast fashion" items are relatively expensive for the majority of the customers, we can expect higher degree of planning of purchases.

[4] According to Wang (2010) 46% of fashion buyers classify themselves as "no brand-preference customer", in Holmberg & Öhnfeldt (2010) the figure is even higher, 65%.

process of shopping for fashion is often a social rite, which is carried out with friends and performs important role in socializing with them[5].

Summing up we can say that the era of "fast fashion" made apparel one of the most dynamic market segments in terms of consumer behavior, with patterns of motives and actions significantly more complex than in the case of fast-moving consumer goods or consumer durables. This complexity requires precise understanding of the lifestyle, usage and attitudes of the target audience for the development of effective focused marketing strategy.

From the industry perspective the picture is equally complicated. The industry macro characteristics are short product life cycles, high demand volatility, low predictability of demand, due to high incidence of impulse purchasing (Christopher, Lowson, Peck, 2004). The degree of concentration varies considerably from market to market[6], however practically every market allows for sustainable existence of medium and even small-size players alongside the global giants like Zara or H&M. The industry is characterized by a set of patterns of integration within the value chain (from raw materials to retailing). While full integration from raw materials to retail is relatively exotic[7], it is common to mix within the business model the design of products, production of items and retailing them in various formats (from fully owned networks to partnerships with different types of retailers, called "shop in shop"). Bonetti and Schiavone (2014) identify three strategic axes[8] in the industry; their combination brings in 10 strategic groups identified by the authors.

Once again this complexity has few parallels - if any - in the consumer goods industries; it calls for thorough strategy planning, as the taken decisions are likely to create path dependencies, some of them may be strategically dangerous. A number of fashion brands, even those that were very successful at a time, have failed due to mistakes in this complex strategic game (see e. g. Taylor, 2017 for a few recent cases, including such notables as Abercrombie & Fitch).

From the marketing perspective there are broadly two types of players in the fashion industry: "brand builders" and "fast movers"[9]. The former ones are capable of building brands that drive consumer preferences and impose market trends, those brands will be proactively sought after by consumers. The latter companies rather capitalize on the existing trends providing wide array of products that look fashionable at the moment, are attractive in terms of price and are widely distributed, matching the pattern of spontaneous reactive purchase.

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[5] Wang (2010): 58% of the respondents usually shopped for fashion in a company of friends or relatives (29% and 26%) or with a partner (3%). 71% of respondents indicated that they liked to talk about fashion with their friends.

[6] E. g. the share of top-10 players in the UK was 37% of the market, while at the same time in Germany it was over 62% in 1999 (Lane & Probert, 2004)

[7] Though a famous luxury brand Ermenegildo Zegna does this, with an interesting historic case of integrating forward in the value chain

[8] The axis are "Make or buy", "Own brand - no brand", "Own direct distribution - indirect distribution"

[9] Or, in more precise description by Bonetti & Schiavione (2014), "clothing operators", who are able to contribute and affect fashion trends and "companies that are part of supply chains"

While the former strategic route may appear as more sustainable at the first glance, it requires significant resources and also element of uniquely successful creative approach[10]. Taking this route without sufficient amount of resources may become a deadly strategic mistake, as brand building puts heavy pressure on company economics[11].

2. E-commerce as applied to fashion industry.

The attempts to sell apparel online were made quite early in the history of global e-commerce, however initially they had limited success. The Internet of late 1990s and early 2000s had low speed and often was charged to the customers on basis of volume of data downloaded. This made representing fashion in an aspirational way almost impossible, as it was a graphic-intense, i. e. traffic-heavy task. The economics of selling fashion online was also more difficult compared to some other items (like books or music) due to the high rates of return of products that the customers found not fit. These returns added to the cost of shipping and required additional labor for reprocessing. In the markets where the cash-on-delivery payment was widely spread, which was most of the emerging markets, this also put additional financial pressure on the business, as goods on the way to the customer and back from them actually meant freezing of the retailer's capital. Despite these limitations some of the e-shops specializing in fashion sales emerged in late 1990s, like Zappos, and the owners of fashion brands were increasingly relying on web-sites as a communication medium[12].

The advent of broadband Internet technology that allowed quick download of heavy graphic files or even video has radically changed the customer experience in fashion e-commerce. The new technology was quickly embraced by both e-tailers and brand owners[13]. However it tended to increase the logistical challenges, as the customers made more of the impulse purchases attracted by the product representation, with consequently higher chances of product returns. As a result some successful fashion e-tailers around the world have invested heavily into building their own "logistic machines", which often included even last-mile delivery[14].

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[10] Like in the case of success of Giorgio Armani in 1970s, when he completely reinvented the proportions of female jacket (Saviolo, 2002)

[11] The challenges of building brand for a medium-size fashion business are outlined, for example, in Holmberg & Öhnfeldt (2010).

[12] As the early stages of development fashion e-commerce was so radically different in technology and consumer behavior from the market of today that much of the research literature of the days is significantly obsolete in its findings. An example is Marchiak & Bruce (2007), which was written in the early stages of transition to broadband Internet and which gives very contradicting insights from the reviewed literature. Constantinides (2004) is another example of comprehensive review of early literature on online consumer behavior, which demonstrates the dramatic change of the patterns in the past 15 years. Strangely, there was very little academic literature on online consumer behavior in 2010s; the Google Scholar search for "factors of consumer choice in online marketplaces" gives only 2 articles out of top-50 that were published after 2010. Thus, for understanding the specifics of modern e-commerce in fashion a researcher has to turn to abundant business literature, including presentations from leading consulting companies. Examples are Statista (2018), Keller et al (2014).

[13] Burberry, a British luxury brand, and Nike, a US sport apparel brand, were particularly praised by business media for their innovative approach to representing their products online

[14] An example is Lamoda in Russia, which managed to deliver by its own couriers over 70% of purchases across the country, despite the logistical challenges of the vast geography (Khrennikov, 2014).

Another milestone in the development of e-commerce was the emergence of giant online marketplaces, which became dominant in mid-2010s in many market segments. These sites - including Amazon from the US, Alibaba from China or Flipkart from India - provided platforms that enabled independent vendors to offer their products. All of the leading ecommerce marketplaces feature fashion "departments". The platforms largely solve the important issues of customer trust and quality of user experience[15]. Independent vendors benefit from the large customer base and the high brand reputation of the marketplaces, however they face an additional challenge of standing out among hundreds of competitive offerings. Very aggressive pricing - called "deep discounting" - is a common competitive strategy, with brands of the vendors playing relatively little role. Many of the marketplaces operate globally, maintaining marketing campaigns in numerous geographies and encouraging the participating vendors to ship abroad. This creates interesting exporting opportunities for many small and medium businesses, which would not be able otherwise to afford international marketing; this opportunity is particularly strong for the companies from the developing economies, which typically enjoy low cost base[16].

The advent of online marketplaces adds one more dimension of strategic choices for the fashion market players, which wish to compete in digital channels, further increasing the complexity of the universe of possible decisions. The companies can opt to rely on their own websites for sales, to sell exclusively through the marketplaces, or to take a mixed approach. In the latter case there is a chance of self-cannibalization: effectively competing in the marketplaces usually involves aggressive pricing which may undermine the attractiveness of the company's own website to the customers (as will be demonstrated later this is likely to be The Vanca case).

Finally, the development of digital technologies in the past two decades have created a new set of tools for marketing communications. They are different from the traditional instruments, like TV spots, print ads or outdoor billboards, in a few important aspects:

- They are delivered individually, and thus can be tailored to the interests and motives of each specific customer;
- They are interactive, i. e. they can trigger immediate online action, like going to the linked site, ordering the product or requesting a call from a consultant;
- They are managed in real time, i. e. an advertiser has full control over the exact moment when they are delivered, tailoring the time of delivery to the temporal patterns of consumer behavior;
- All the above aspects create plethora of information that can be stored and analyzed in order to make further communication more effective.

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[15] The trust issue dominates the research literature on online consumer behavior in 2000s, see for example

[16] At the same time the global marketplaces create challenges for market players in any given national market, as those become exposed to much broader competition The challenge is particularly strong for the businesses from more affluent economies, which typically have higher costs and thus cannot compete in pricing with companies from the countries with low level of the costs.

At the same time, online marketing communications tools are close to the traditional vehicles in that the marketer usually has the choice between more expensive "image driving" formats (like display ads online or magazine ads offline) or the formats calling for immediate purchase action (like sponsored links or textbox ads online or newspaper coupons offline); usually combining the two approaches in one piece of communication is considered not advisable. Online has also developed a set of formats that expand the traditional techniques of PR, including the interaction with the influential bloggers (or more recently vloggers) in order to achieve their endorsement[17].

The latest trend in the use of the vast array of the online communications tools has been the development of systems of automatic optimization of various campaign parameters, most importantly the targeting of consumers according to their interest. The systems use the "deep learning" algorithms that use the full array of available data in order to develop ever higher return on investment in advertising. The bigger market players tend to develop such systems on their own, as they can be a source of important competitive advantage, while the smaller marketers have a choice of software from third-party vendors. Such systems generally solve better the various technical issues of a campaign compared to human decision making, allowing the marketing managers to concentrate more on the strategic aspects of campaign management.

One of the benefits of the ecommerce is that it allows to analyze the economics of the company on the very discreet level - up to each specific transaction (the overall approach is called "unit economics analysis", see Martin, 2015); it is also possible to aggregate the data into the transaction history of every known client, calculating her/his "net value" to the company. Projecting this into the future will provide the Client Lifetime Value, which can be defined as the monetary value of a customer relationship, based on the present value of the projected future cash flows from the customer relationship (Fripp, 2014). The concept allows linking the investment into management of consumer behavior to the overall economics of a company. The mass of data available in e-commerce and digital advertising allows constructing hypotheses as to which aspects of the company's offer contribute most to the increase of LCV, and prioritize the company's marketing efforts accordingly[18].

3. **Indian specifics as a fashion e-commerce market**.

While each geographic market is unique in a sense, India is acknowledged as one of the most challenging, though most prospective markets in the world for any product. The combination of significant total economic power (in top-5 in the world by PPP GDP and in top-10 by nominal GDP) with relatively low level of income (#123 in the world in PPP GDP per capita according to IMF with USD 7,174[19]) creates very specific opportunities and barriers. India is

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[17] See a book by Rogers & Thorson (2017) for a set of interesting academic papers on various aspects of online advertising

[18] For a detailed marketer's toolkit on management of CLV see Kumar (2008).

[19] Cf. the levels for other major emerging markets, commonly referred to as BRICS: Brazil - USD 15,500 (#81), Russia - USD 27,890 (#48), China - USD 16,624 (#79), South Africa - USD 13,403 (#89)

the only top-20 global economy with predominantly rural population (and most of the present urban dwellers are relatively fresh movers from the rural areas). The country's vast geography with insufficient infrastructure makes logistics complicated and costly; the country's Logistics Performance Index is 3,42 out of 5, the 35th position in the world, however the country is top performer in its income group (World Bank). The country is a linguistic patchwork with 22 languages of three linguistic families recognized as "national". English is often used as a sort of "lingua franca" in urban areas, and some command of the language is the must for middle class, however catering to the nationwide audience of consumers may require adaptation of communication into more national languages[20].

Additionally the country has the history of strong government regulation, with a complex combination of federal and state laws. India indeed is "the biggest democracy in the world" with very vibrant politics, which sometimes lead to populist decisions in the sphere of business. The current administration of Prime Minister Modi is recognized for its pro-business approach and made a reputation for removing some of the administrative barriers. However the same administration, which is backed by Hindu nationalist BJP party, has prompted the rise of aggressive traditionalism, which clashes with the legacy of secular state.

India has high level of income inequality[21] and it simultaneously has the world's largest pool of people living in extreme poverty[22] and contributes 300 to 400 million people to the global middle class according to some sources (The Economist, 2018). The nine-digit figures of middle class include the population which is quite poor according to international standards, however there are ca. 80 million people living on USD 10 a day or more (The Economist, 2018). They can afford buying some of the Western or Western-style goods, including "fast fashion" items, though for them an item that retails at USD 10 and is considered cheap in advanced economies becomes a sort of a premium product.

Participation of women in the Indian consuming class is a complex issue. The traditions of the country are somewhat ambiguous. On the one hand it has a strong legacy of participation of women in political life, including the figure of Prime Minister Indira Gandhi, one of the first female national leaders in the world[23]; currently three of 25 Indian states are headed by women. On the other hand, the traditions of upper-class families in the country - both the followers of Hinduism and Islam - call for the role of women as housekeepers, not

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[20] India is one of the emerging markets most extensively covered in media, with abundant literature from internal and external observers on most of the industries. For a quick overview of the present state of Indian economy one may consult Wright (2017) or Kwat (2018); in addition following over some time a news monitoring like India News Alert that is mailed regularly by Indian Brand Equity foundation (ibef.org) can give the dynamic picture of development of the economy, society and the markets. The changes in retail landscape are covered in Retail Industry Snapshot monitoring by FRPT Research. Singhal (2018) or Indian Mirror (2018) give a brief overview of the fashion industry and fashion retail.

[21] 1% of richest Indians owned 53% of total wealth, up from 36.8% in 2000 (the richest 1% in the United States own 37.3% of its wealth) - Wright (2017).

[22] 224 million living on under USD 1,90 per day

[23] 4th woman in history to be elected or appointed at the top state position, in 1966

breadwinners[24]. As a result India ranks 135th (out of 144 countries ranked) in the world in terms of women's labor force participation (Wright, 2017)[25]. Additionally, the traditions of both major religions put restrictions on the "proper" female lifestyle, including the style of wear; following the Western fashion is seen by many as "provocative" and "inappropriate"[26].

As a result the Indian fashion market is quite specific, as it is dominated in women's wear by traditional apparel - saree and salwar-kameez, which occupy 66% of the market[27]. Dressing in Western wear in this context becomes a sign of certain identity, not that much in terms of income (many women from high classes prefer ethnic wear and the price of saree in particular can be very high even by the standards of advanced economies), as in terms of lifestyle and worldview. In most cases women have both ethnic and Western clothes in their wardrobes, fitting the style to specific occasion (e. g. family reunion vs. going out with friends). Denim is the largest category within the Western wear, as it represents a distinctly different dressing style. At the same time there is a segment of "Indo-Western" which includes products of Western design made of traditional Indian textiles and featuring the legacy decoration patterns.

The move towards the Western wear, and also from saree to salwar-kameez, which is cheaper on per-item basis, has stimulated the increase in the frequency of shopping. According to Sundarraj (2011) half of female consumers in the age group 20 - 25 years purchase a fashion item at least monthly[28]. Interestingly the research indicates that income/price is not the key barrier to higher frequency of purchase (though an important one, with 34% in age group 15 - 20 and 24% in age group 20 - 25); it is the insufficient offer (range of products) that stops 46% of consumers in both age groups from buying more often.

The market is highly competitive with literary thousands of players[29], the local brands benefiting from cheap labor and raw materials[30]. Some major international chains of fast fashion, including the giants Zara and H&M, are present on the market; they were relatively

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[24] Participation of a woman in paid employment was long seen as a sign of low status or reduced family means, thus was highly undesirable from the point of view of family social image

[25] The situation with other aspects of gender equality, like education or healthcare is visibly better, the country ranks 87th in the World Economic Forum's Gender Gap Report (Wright, 2017)

[26] The consequences for a woman may be much more dangerous than just social repercussions. In a high profile case in 2012 a female student in Munirka, in South Delhi was gang raped in a barbarous manner and died in hospital. The assailants claimed that she was "provocatively dressed". Though the government took some serious action to fight sexual assaults, the problem is still significant; Western style of dressing still seen by some Indian men as a justification for harassment and even rape (Dhillon, 2017)

[27] The market for saree, which is associated more with Hindu tradition is bigger, with market size of Rs 37,837 crore (crore = 10 000 000 rupees, a widespread way of counting big numbers), salwar-kameez is more within the Muslim tradition and its market size is Rs 35,804 crore. However the latter is growing quicker, at 12% CAGR in 2010s vs. 5% CAGR for saree, as it is considered to be more comfortable for everyday wear. Thus salwar-kameez is no longer a marker of specific religious or ethnic identity, while saree strengthens its association with Hinduism (Technopak, 2015).

[28] The figure is lower for the age group 15 - 20 years, where most of the consumers indicated shopping once in 3 months; probably the reason in the restrictions on income

[29] Flipkart online marketplace lists over 4000 brands in the category "Women western wear"

[30] India is one of the world's biggest producers of textile, especially of silk (2nd largest exporter in the world) and cotton (3rd largest exporter in the world)

late arrivals and do not have the commanding position they enjoy in other geographies. Their products appear to be quite expensive in the context of Indian incomes, even for most of the middle class; this limits their market penetration. As put by The Economist (2018) "The question isn't whether Zara or H&M can open 50 stores in India. Of course they can. The question is whether they can open 500". Still, the international fast fashion companies have significant funds for marketing and advertising and their premium price position makes them more attractive to consumers in India compared to EU or US, where they have to fight off the image of "cheapness". They may play to a middle-class Indian consumer the same role of image benchmarks that the more expensive pret-a-porter brands (like Emporio Armani) play for middle-class consumers in advanced economies. This makes it hard for local Indian companies to implement the strategy of "aspirational brands". There are also some big local players which retail their own brands, like Aditya Birla Fashion Group[31].

The Indian retail landscape is a challenge to brand marketers. The country has one of the biggest pools of retail space in the world and ca. 10% of labor force is employed in retail. However the bulk of the market is non-organized trade represented by small shops and street markets. Only 20% of apparel is sold through modern retail formats[32]. The share is higher in metro areas and Tier 1 cities, yet in the quickly growing markets of Tier 2 and Tier 3 cities, there is a lack of shopping malls that could cater fashion to the middle class consumers. The government considers retail industry to be a very important employer and sees certain danger for traditional retailers from the quick growth of online marketplaces that usually follow the strategy of aggressive price competition. The arrival of major international e-commerce companies on the Indian market is a special concern, due to their perceived vast resources for marketing that allow them to undersell the local players for an extended period of time. There is legislation in place which seeks to (a) limit the involvement of foreign companies in Indian B2C e-commerce and (b) limit the practice of "deep discounts" in online marketplaces. Sharma (2015) suggests, though, that some market players may find effective schemes to bypass the legislation.

The lack of modern "brick and mortar" retail facilities makes e-commerce a very important channel for fashion sales in India. The share of apparel in overall online sales is unusually high compared to other markets, 35%[33], which makes it the second biggest ecommerce category after travel. Every third shopping search on Google in India is fashion-related. Fashion is prominent on the general marketplaces working on the market – like Amazon India, Flipkart or Snapdeal, additionally there are specialized fashion marketplaces like Myntra or Jabong. According to some estimates the online fashion sales in India will hit USD 35 billion in 2020, growing by a factor of four since 2014. The growth will be largely fueled by the increase of online population, which was growing in double digits of percent year on

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[31] It is the part of highly diversified and very powerful Aditya Birla Group. ABF retails its own brands like Louis Philippe Allen Solly, Peter England and People and also runs a chain of multi brand stores called Pantaloons. The online operations called Abof (abof.com) sell only own brands

[32] Which is still high compared to the feed retail, where modern formats of shops command fewer than 10% of the market.

[33] Apparel accounts for 8% of offline retail market in India

year, and was estimated at 462 million people in 2017[34]. With more and more people coming online from smaller cities and even rural areas smartphones became increasingly important as the terminals for Internet access. As a result, mobile commerce is becoming a key instrument of online sales, with all major marketplaces launching mobile apps for smartphones; this development further stimulates impulse purchases of fashion.

4. The Vanca

The company is a medium-size player in Western wear segment working in the spirit of fast fashion, with wide assortment of relatively cheap products. The company designs and manufactures its product lines (dresses and tops being the key items in terms of sales) and sells them through major online marketplaces, its own website and through some "bricks and mortar" stores. As the company is relatively small, it does not attract much of attention from business media[35], thus the case (Mathew and Dey, 2017) is the major source of information on its operations.

In light of the previous analysis, the case leaves many important issues uncovered. The company seems mostly focusing on increasing sales on its own site, however at the moment this channel was generating only 5% of the company sales. The reason for this focus could be the higher margins (as marketplaces charge commission for sale and also press the vendors to heavily discount their offering), yet these margins could be offset by the marketing spending required to attract customers to the site. Unfortunately the case provides no analysis of sales margins and marketing spending by retail channel.

Overall the case leaves the strong impression that the company lacks the holistic marketing vision and also does not have the competences to build one. Its definition of the target audience is rather shallow and un-insightful, with very broad age frame (18 to 40 years old in the country where the median age is slightly above 25 years arguably mixes up several age cohorts) and quite trivial references to lifestyle ("socially active, likes to party"). There is no hint on competitive value proposition of The Vanca to its target audience. The company outsources the monitoring of some important metrics of its web-site, like conversion of visitors to sales (which it considers to be below competitive benchmarks), but does not have working hypotheses on the factors that define the current levels. There is no indication of using the "hard data" from site traffic for the sake of consumer segmentation[36]. The company has a legacy of launching premature marketing initiatives that could create rather negative image among the consumers. The company has a reactive approach to marketing budget planning, assigning certain percent of sales, with no attempts at competitive benchmarking or top-down planning by marketing goals.

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[34] http://www.internetlivestats.com/internet-users/india/

[35] Google search brings in several publications of the same press release of 2014 on some Tier 2 Indian business protals: http://www.indiaecommercebrief.com/index.php/home/218658-the-vanca-to-open-ebos-in-metros-this-year-fashionunited-india

[36] According to the case there is an understanding in the company that gaps in product range may be contributing to the low conversions, however there is no indication on how the company plans to address the issue

With the focus on its own site, The Vanca was clearly neglecting the opportunities for building more sales at the major marketplaces, which brought the bulk of the sales[37]. It was in the list of featured brands at only one (Snapdeal) out of 5 major marketplaces for Western fashion[38]. Thus, it is likely that the customers were not viewing it as a "real brand" comparing the company products to the competitive offerings mostly based on look and price. Though the company declared that it does not want to get involved in discount wars in reality it offered the discounts as high as 60-70% on most of its products offered at marketplaces. This could be a major factor contributing to low conversion on the company's own site: customers were aware that they could order from third-party sellers the same products at prices that are more attractive. This pattern may be not very effective for the company economically[39], additionally it leads to loss of vital data on consumer behavior which may lead to significant distortion of the results of marketing analysis. Generally, the company's site gave no strong reason either through prices or through enhancement of shopping experience to be preferred by the customers to shopping for The Vanca products elsewhere[40]. The case reads as if the company was unaware of the problem, the picture of customer journey for The Vanca customers given in the case does not elaborate the alternative choices made by the customers before arriving to the site and also does not reflect the possibility of selecting the products at thevanca.com and purchasing them at third-party retailers.

The company had limited presence in social media. Its Twitter page had over 2000 followers[41], which is arguably low in the market with over 400 million people online, and the posts by the company were quite infrequent (generally once in 2 weeks). The company did not have a Facebook account[42]. Its channel in Youtube featured 10 spots and had 10 followers, the latest posting was made in August 2017. The company was not using the social media sites of the third-party marketplaces at the time of the writing, though it had certain collaboration with Myntra.com in 2014 (in Youtube and Facebook). The Vanca had some cooperation with fashion bloggers, who endorsed the company's collections, but it seemed to be neither frequent nor massive. Finally, the company did not have a mobile app, missing the important trend of growing mobile commerce and an opportunity to establish some sort of permanent relation with its loyal customers.

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[37] Working with third-party marketplaces even enables The Vanca to export, as it is present on Souk, an Amazon-owned marketplace for Persian Gulf countries (see Exhibit I)

[38] See Exhibit II

[39] Detailed analysis of profit margins adjusted to marketing costs in different sales channels is required to make a solid judgement on the relative effectiveness of different sales channels, however a customer who first visits thevanca.com and then makes a purchase elsewhere is probably an undesired scenario, as the company bears the marketing costs of attracting such a customer, but does not enjoy higher profit margin due to the absence of third-party commission on sales

[40] In mid-May 2018 at the time of writing the site was unexpectedly shut down for maintenance, the reasons for this were unclear (see Exhibit I). The company's products continued to be sold at major online marketplaces.

[41] As of May 19, 2018

[42] This contradicts the information in the case, yet as of May 19, 2018 there was no sign that the company was ever present on Facebook

The Vanca resembles many of medium-size companies across the world with the founders who have background in product design and manufacturing, rather than marketing in that it had clear lack of overall marketing vision. The company CEO Rajeev Sinha[43] was seeking for improvement in a few metrics of online performance, which he considered insufficient, rather than trying to develop a holistic approach to communications with consumers based on insights in consumer behavior, as illustrated by the brief for the newly hired digital marketing manager. It seems unlikely that the sustainable improvement in these metrics can be achieved without a set of more systemic measures that would represent an integrated marketing model.

The Vanca digital marketing: target model and implementation roadmap

The freshly hired Digital Marketing Manager of The Vanca company has a challenging task at hand, as developing strategies and tactics to promote online sales outlined in the job description requires developing first an overall integrated approach to marketing communications for the brand. This approach should build upon the insights from the market analysis:

1. The Vanca is a relatively small player in a very competitive market segment with high volatility of demand due to fluctuations in consumers' tastes. The company has limited resources for marketing compared to some of international players that are active in India, and also to some of the local majors; however it is comparable in size and resources with many players on the market
2. Online marketplaces are dominant players in fashion e-commerce in India as they are solving the important issues of shopping experience and customer trust.
3. India's growing middle class starts to pick up Western lifestyles and tastes in fashion; especially for women this is a radical departure from traditional behavioral patterns, which may be psychologically rewarding (seeing oneself as "special"), though not without social risks
4. Most of middle class customers are very price conscious, as the price of even "fast fashion" (both international and local) is high relative to their income level. Despite some government action to limit the price competition, especially in the online marketplaces, aggressive pricing continues to be foundation of the competitive strategies of marketplaces against each other and also of individual vendors within the marketplaces

The key strategic dilemmas for the company in light of the analysis are:

1. Whether to follow the "brand builder" of "fast mover" strategy? Does The Vanca realistically has enough resources in mid-term to create a wide franchise of consumers who will differentiate its products from the competitive offering, proactively seeking them and being ready to pay certain price premium? Or will it be more effective for

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[43] According to the company's self-profile at India Mart web portal Mr. Sinkha had background in consulting with companies like PwC or IBM: https://www.indiamart.com/the-vanca/profile.html

the company to take a more opportunistic approach to marketing, building instruments that will allow attractive timely offers to the consumers looking for Western wear?

2. Should the company insist on turning its own site into a major sales channel or use it more as an image-driving vehicle, relying on the third-party sites for sales? Is it feasible to boost the sales on thevanca.com by hundreds percent so that it becomes comparable in turnover with the major marketplaces? Will the resulting additional profit margins compensate for the costs in terms of marketing spending and operational expenses (which are necessary to avoid embarrassments due to insufficient staffing like the one experienced after the attempt to introduce the online advice to the customers)?

The information on the company economics provided by the case is clearly insufficient to answer these dilemmas, however there are certain chances that at the current stage of development the "fast mover with focus on selling at marketplaces" route may be a more realistic strategy for The Vanca, allowing it to accumulate over time necessary resources to move to a higher league of "fashion operators".

Within any strategy it is necessary for the company first to expand its understanding of the customer journey, mapping it so that include different motives of the customers and different possible sales channels. The review of literature on the customer behavior suggests that broadly there can be two types of purchases: aspirational (the customer is attracted by the company's product design and quality above all) and situational (the customer does not see the product qualities as vastly superior over competition, but likes it enough to make a purchase due to the price or convenience[44]). Depending on the product qualities, personal tastes and global fashion trends one person can alternate between the two types of purchase decision over time, however it is likely that she/he will be leaning on one of them in the long run. Understand the motivation of each specific customer and stressing either style or price based on this can lead to the new level of effectiveness of marketing communication and sales conversion. For this reason the company should try as much as possible to capture the data on behavior of the customers and use it for development of customized messages. Implementing the approach leads to the necessity of mapping two types of customer journey, for the known and unknown customers.

In the case of the unknown customers the assumption about the motivation (aspirational vs. situational) can be made based on the source of the traffic. The customers who followed the links from fashion bloggers are arguably more driven by the style of the products, while those who came from the search engines may be more interested in price. The social media may represent a mixed case, depending on the specific strategy of advertising targeting used there, in theory they allow to address both types of the customers. Finally, those who typed in directly thevanca.com address can be reasonably assumed to have certain knowledge of the brand (e. g. through word of mouth) and belong to the aspirational type, interested in the products above the prices.

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[44] Saving time from further search and thus decreasing the total transaction costs

The Vanca site can be restructured to cater dynamically to the motives of the two groups. For the aspirational customers the site should start with the images of the trendiest items in the collection, probably accompanied by certain fashion-related content (e. g. a brief overview of the current trends as seen by company designers; it can be presented in a form of short video clip). This content should be made easily "sharable" on social media so that the customers could work as enthusiastic brand evangelists through their personal accounts. Creating such content should become one of the company's priority, as it will provide the basis for the boost of its presence in social media.

For the situational customers the start page should focus on the most attractive deals. If shopping at the third-party marketplaces after visiting thevanca.com proves through data analysis to be a significant trend, it may be worth addressing the issue through either dynamic pricing (providing additional discounts in real time if the customer browses only discounted items) or through direct suggestion to shop at third parties (with some sort of price comparison engine). The latter scenario may seem undesirable in terms of immediate economics, however it will allow capturing valuable customer data and understanding the models of behavior; the improved quality of analytics may pay off for the immediate loss through the opportunities of effective re-marketing in the future.

In any case the "cookie" file should be sent to the customer's browser in order to identify them during further visits[45]. This will allow following the "known customer" journey during the future visits to The Vanca site, and, in certain cases, will improve the possibilities for customizing marketing messages at the third-party sites. The customers should also be encouraged to subscribe to the company's accounts at social media, e-newsletter or to download the mobile app; developing one should be a top priority for the company.

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[45] Using cookies for customer identification may pose a few challenges (e. g. some customers may use several browsers, while on other occasion the same browser may be shared by a few customers, like in the case of one family computer). A certain share of customers prefer to block the usage of cookies, they can also be deleted from the computer intentionally or through some maintenance procedures. However, in the bulk of the cases cookies provide the reliable tool for identifying the past customers and building a history of visits to the site or, sometimes, of interaction with advertising.
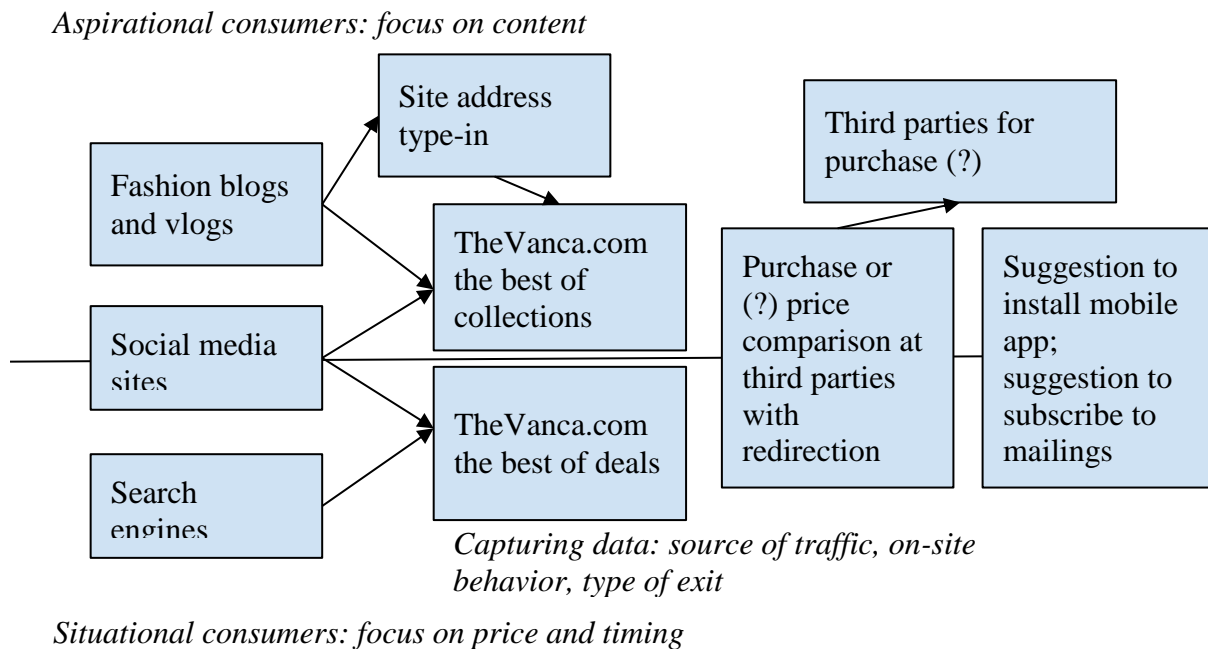
Aspirational consumers: focus on content

Capturing data: source of traffic, on-site behavior, type of exit

Situational consumers: focus on price and timing

Fig. 1. Customer journey for unknown customers

The customer journey for the repeat ("known") customers would typically start with the instruments of their "activation": mailings, offers in mobile app, social media posts. Here the operational goal is to build a system for increasing personalization of content of the messages based on the recorded preferences of the customers through the use of Customer Relationship Management System[46]. Such system should aim at automating the work on delivering different messages to the different customers, with the goal of ultimately supporting "1 to 1" communication approach[47]. It is likely that the extensive analysis of the actual customer behavior will allow moving from the simple dichotomy of aspirational vs. situational customers to a more segmented model. Working with the repeat customers should also focus on stimulating them to spread word of mouth about the brand and drive friends to The Vanca site, probably offering material incentives[48].

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[46] There is abundant offer of software platforms for different aspects of Customer Relationship Management; many vendors target the medium-sized business and offer relevant pricing plans, thus finding an effective solution for The Vanca needs should not be a problem. For a comparison of the of CRM platforms that are currently on the market see for example https://www.capterra.com/customer-relationship-management-software/

[47] E. g. as outlined in Newman (2015)

[48] A recent example is the campaign run by travel giant booking.com in Russia, offering a discount of 1000 roubles (ca. USD 15) in case a referred friend makes an order through the site

Aspirational consumers: focus on content

Capturing data and updating the customer's profile; possible re-classification

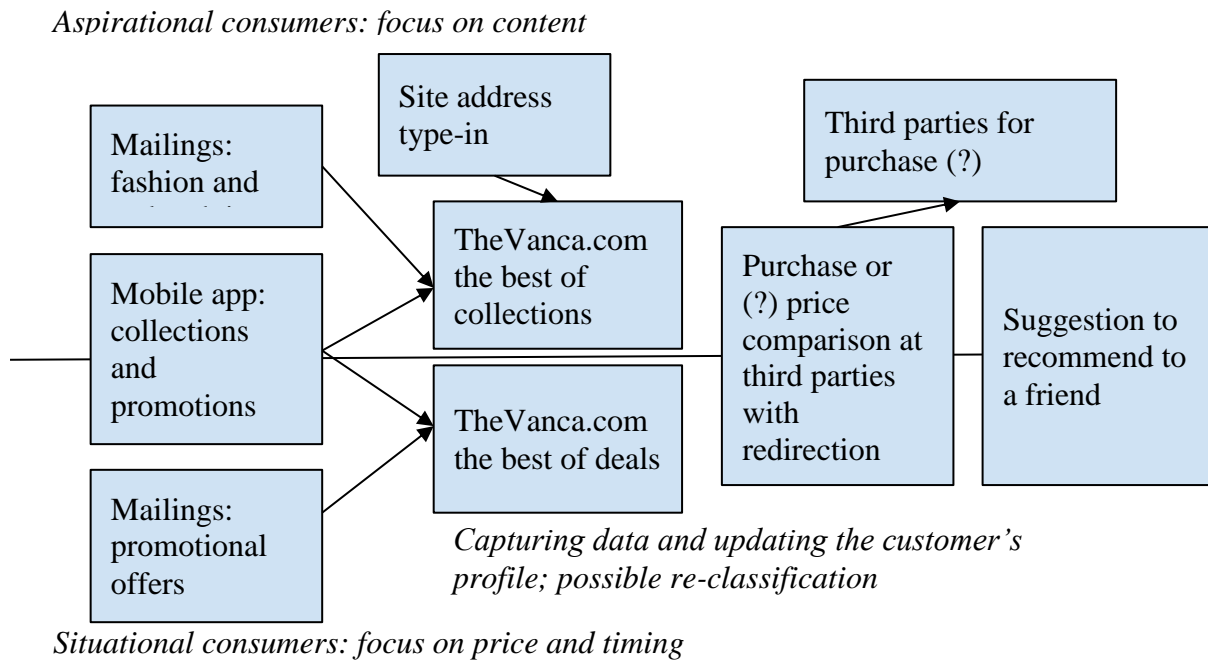*Situational consumers: focus on price and timing*

Fig. 2. Customer journey for known customers

For a relatively small market player with limited resources (compared to key competitors) it is vitally important to match the expenses to the returns, yet the task has been notoriously difficult in marketing, provided that significant part of the current spending should contribute to securing future sales and margins. The reactive approach to budgeting that was used by The Vanca (dedicating certain arbitrary proportion of revenue to marketing) was long criticized in the literature (e. g. Kottler and Keller, 2011) as it appeared to be insensitive to the current market context[49]. Planning budgets based on the analysis of Customer Acquisition Cost (CAC) within the approach of the unit economics analysis will allow a more precise allocation of funds, especially when balanced against the projected Client Lifetime Value (CLV).

Analyzing CAC rather than number of visits to the site or conversion rates provides direct link to the economics of the company on the macro level[50]. Basically the process of selection

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[49] Actually budgeting based on current sales provides the positive feedback loop, with two dangers: overspending in case of high sales (regardless of the reason of success) and, more importantly, underspending in case of losing sales because of high competitive activity. In the latter case the company would be sent into downward spiral of weakening marketing activities and losing revenues.

[50] On contrary, the high or low level of conversion rate says nothing in itself about the effectiveness of marketing in financial terms. The communications instruments that typically lead to higher conversions - like search-related ads - are priced through the system of real-time bidding by market players. In the highly competitive categories - and fast fashion in India is definitely one - this is often to the effect of prices rising quicker than the effectiveness of ads. At the same time much lower cost of acquisition may be achieved through instruments that combine low conversion with very low price per one ad impression. A case of demonstrable success was achieved by one Russian mid-size company, which operated in a segment with very high competition leading to ever growing price per placement in Google Ad Words. Instead of following the common path and trying to outbid the competitors the company turned to display ads, buying in bulk the so called "junk traffic" (placement at low class entertainment sites that attract lots of visitors, but are considered to be ruinous to brand image). Though the conversion rates were by several orders of magnitude lower than in search-related

of the instruments of marketing should be built so that the present value of CLV of each customer was less than CAC to the maximum possible degree. There may be two stages in the process: (1) finding the instruments that will bring in the high-CLV customers without increasing the CAC and (2) finding ways to boost the CLV of present low-CLV customers.

Such development will require the implementation of rather sophisticated systems of predictive analytics that will turn real-time data on customer behavior into the forecasts of company economics on micro level (transaction / customer) and macro level (company P&L). Such a system is essential to stay sustainably competitive, including against more power players in the modern e-commerce markets. Being capable of allocating budgets based on the forecast of returns on investment (in form of increased CLV) will turn The Vanca marketing from the exercise in guesswork, which it is largely at the moment, into the manageable process of constant optimization, focused on the most lucrative segments of the very dynamic market of fast fashion (the so called "data driven company"). Gaining more resources as a result of this optimization the company can invest into some strategic brand building activities gradually moving into the elite category of "fashion operators", capable of influencing the market trends and tastes of the consumers.

Based on the analysis the following roadmap of development of digital marketing can be suggested to The Vanca management:

Step 1: analysis. Taking the most out of the currently available data on customer behavior, and setting the task for development of real-time system of predictive analytics that will allow the forecast of CLV and management of CAC;

Step 2: modification of the content management system of thevanca.com so that it would allow for dynamic restructuring of site representation to the customers based on their type of preferences (focus on content for aspirational customers and focus on discounts for situational customers);

Step 3: development of mobile app, allowing pushing regularly the news on company products and promotional deals;

Step 4: creating staff for the regular development of fashion-related content for the use on the company site, in social media and in press relations with fashion bloggers/vloggers. The aim should be daily updates to social media like Facebook or Twitter and weekly video clips to be used on the company's YouTube channel (the quality and style of video should be on par with professional vlogging content). Some of the tasks can be outsourced, yet the company has to have internal system of managing the quantity and quality of the content;

Step 5: installment of highly versatile CRM platform, capable of managing the transactions history of each known customer, delivering marketing messages both through personal (mail, mobile app) and mass channels (display ads, ads in social media, search engines, etc.) with analytic monitoring of CAC.

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placement, the price per impression appeared to be still lower, leading to the very attractive CAC (Koroleva, 2016).

<u>Step 6</u>: integrating all the systems and process into one highly automated seamless platform of real-time campaign management; implementation of data driven decision making as part of company culture

Communicating this plan to the management of the company could be a personal challenge to the new Digital Marketing Manager, as it would significantly depart from the initial brief he received. Yet the roadmap is based on analysis of the key marketing factors and allows to build a strategy for consistent improvement of the company's operational results. The fact that the company took in May 2018 the pains to completely renovate its web site shutting it down for at least 10 days probably indicates that it finally saw the need of fresh strategic approach to the whole of its marketing.

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Exhibit I.
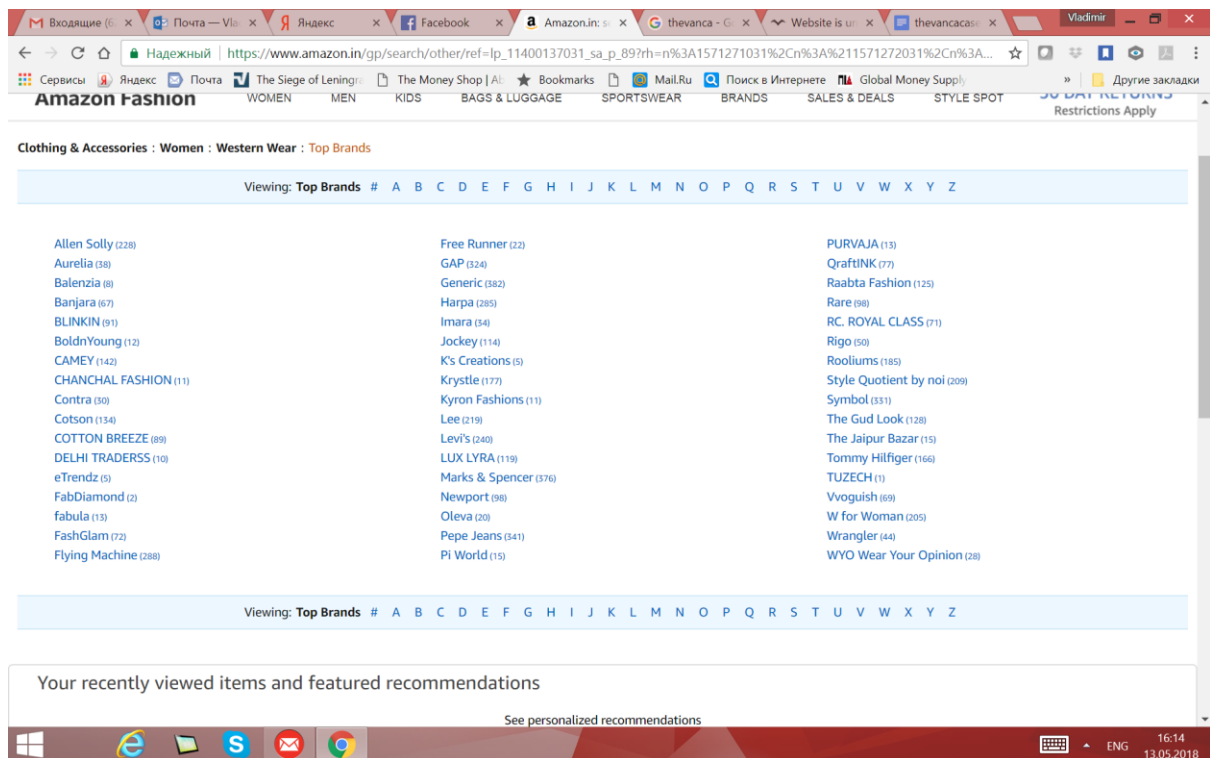Screenshots of The Vanca presence in key Indian marketplaces[51]

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[51] Retrieved on May 13, 2018 between 15:00 and 17:00 GMT if not indicated otherwise
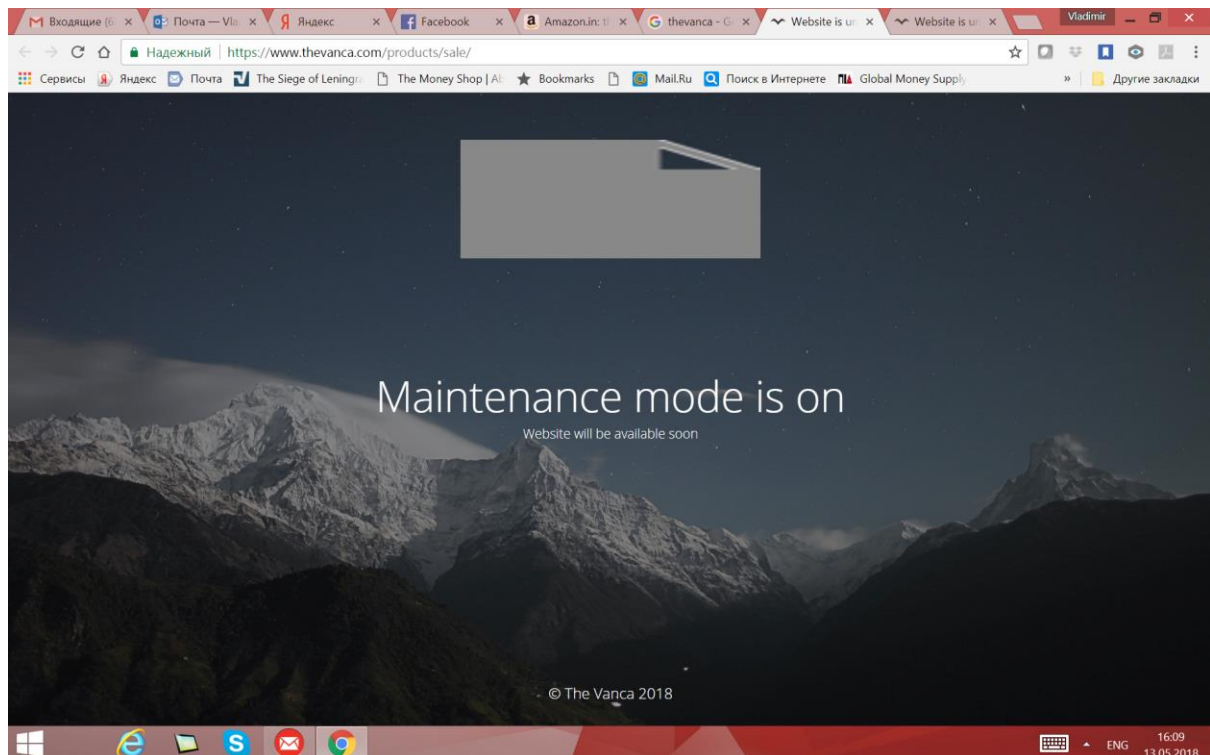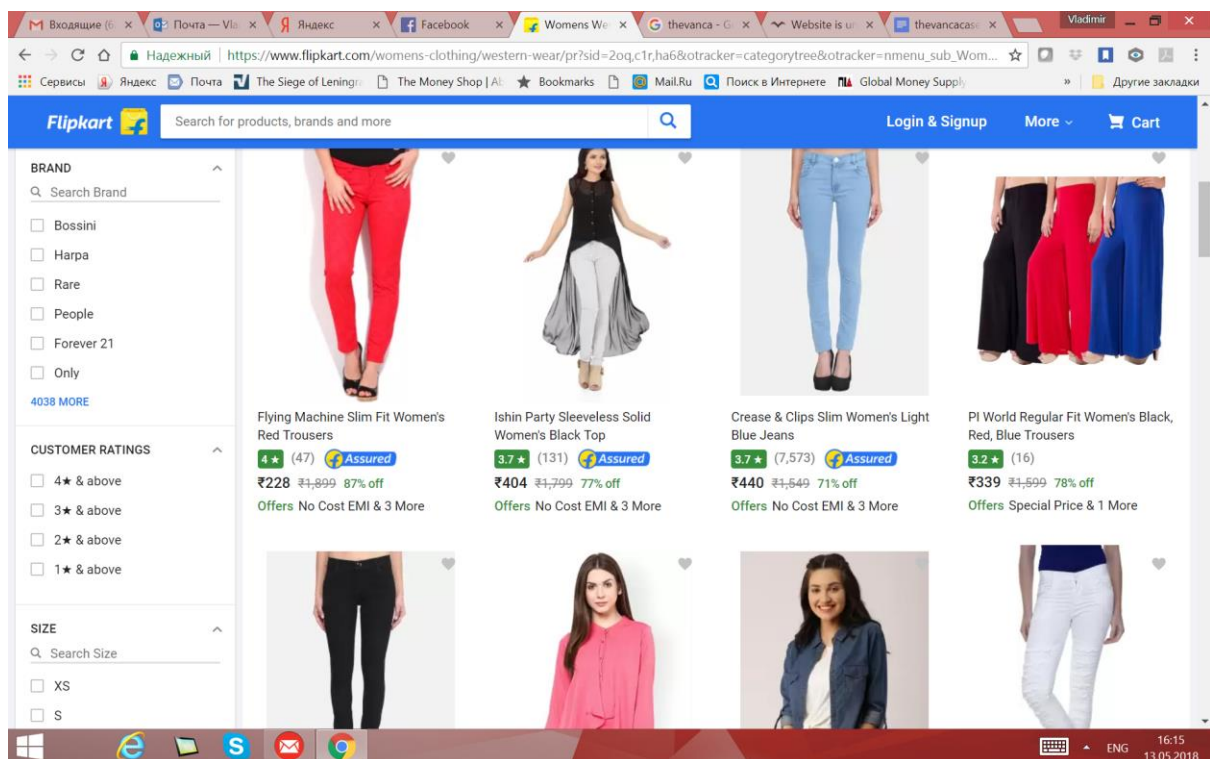
First retrieved at 15:11 GMT on May 13 2018. Site continues to be unavailable as of May 16, 2018 08:00 GMT
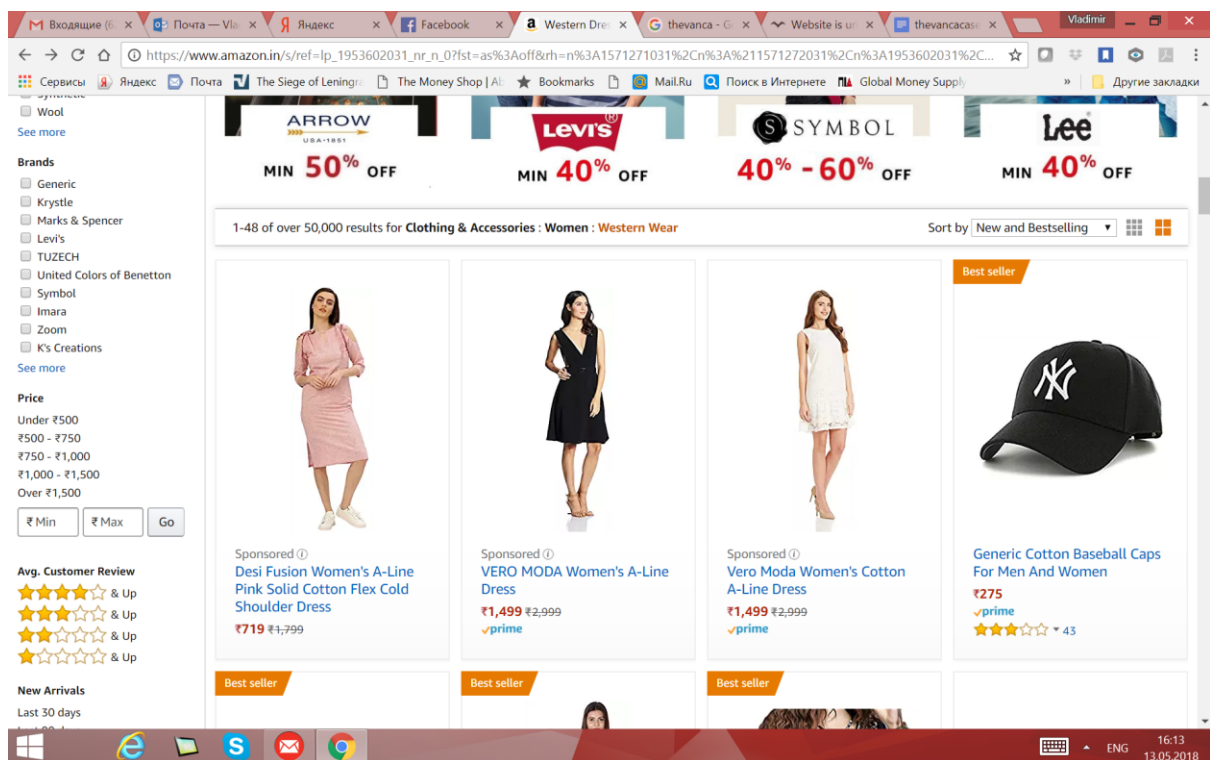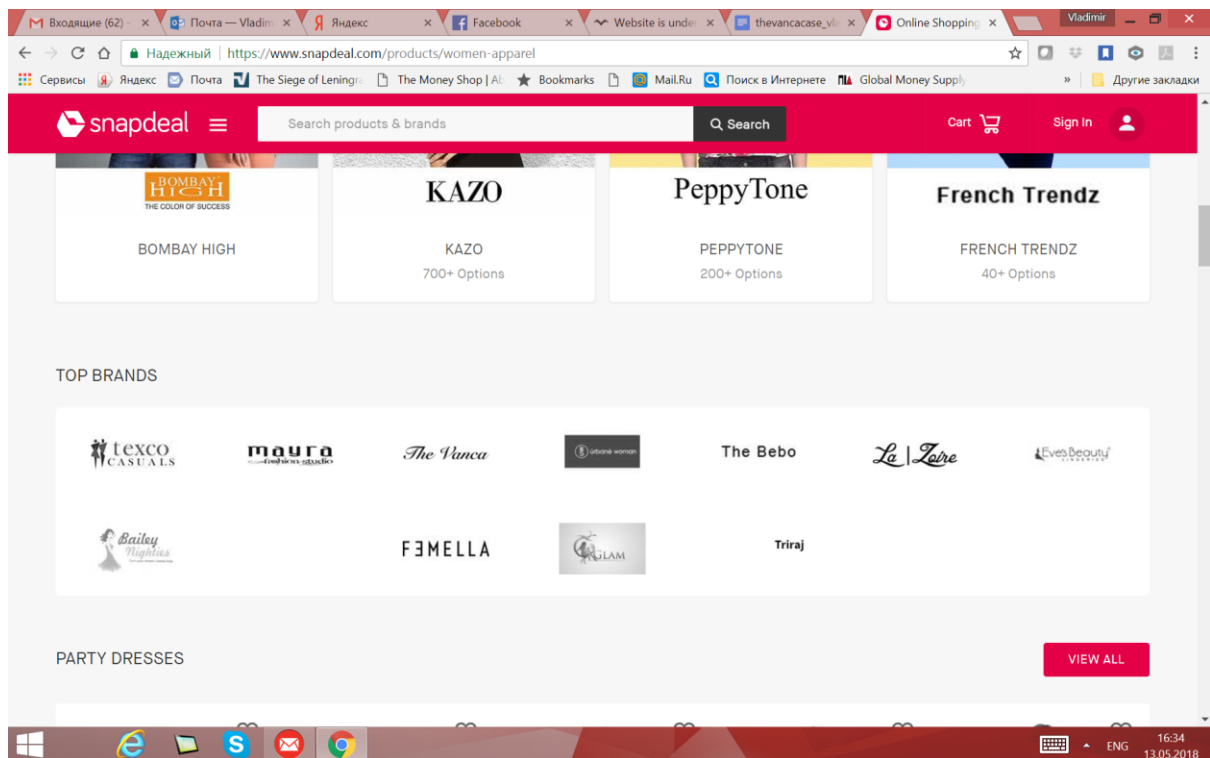

The Vanca is not in the first brand list on Amazon India in Western womenswear
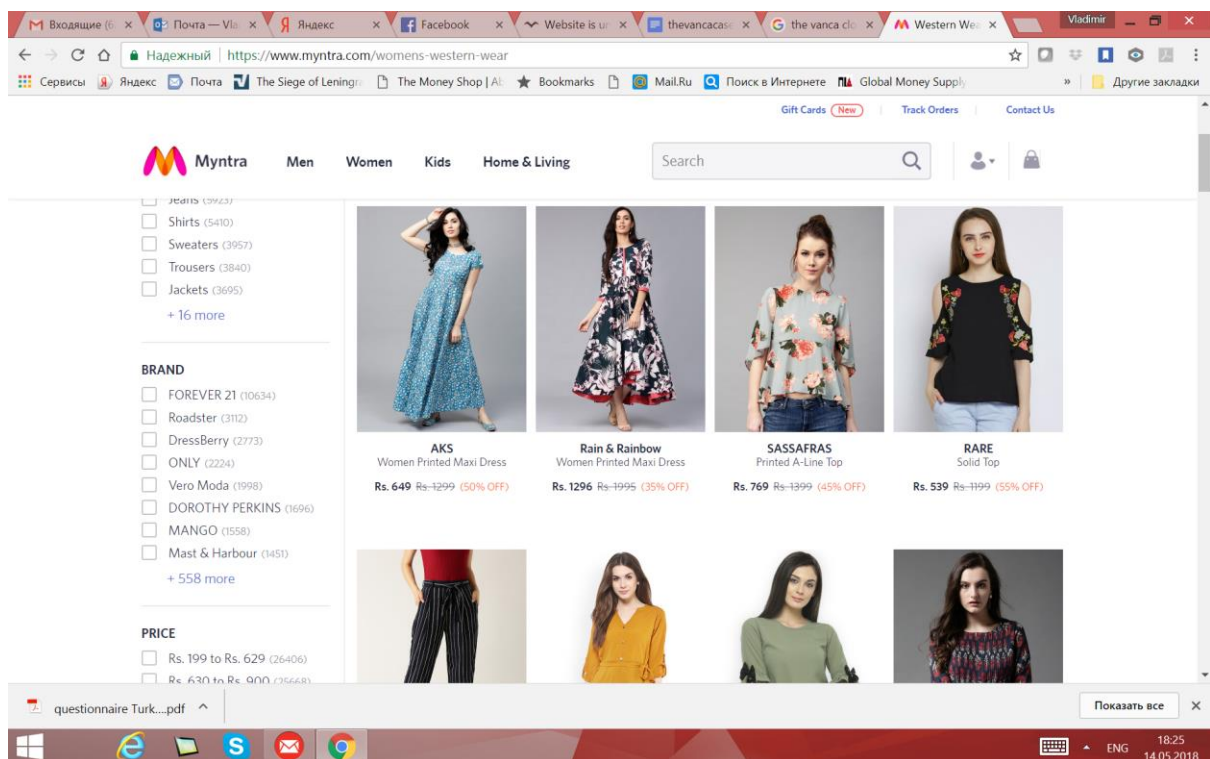
The Vanca is not in the extended list of top brands on Amazon India in Western womenswear
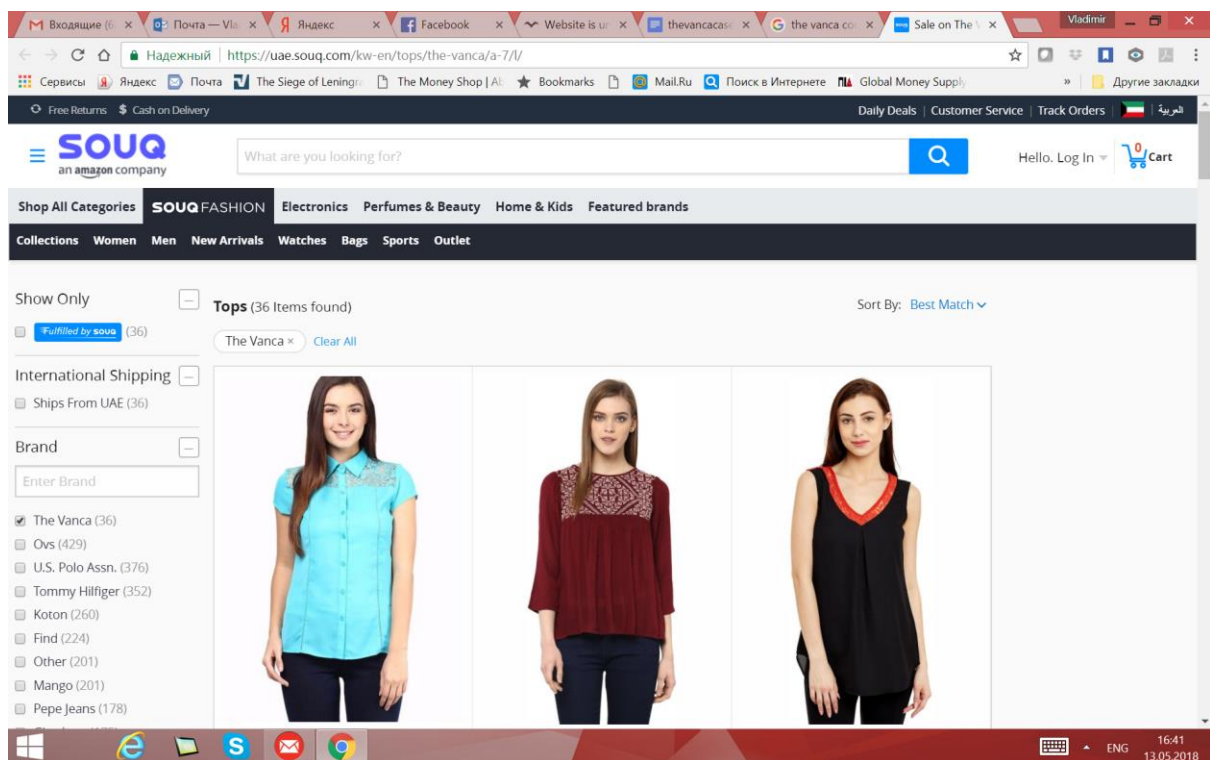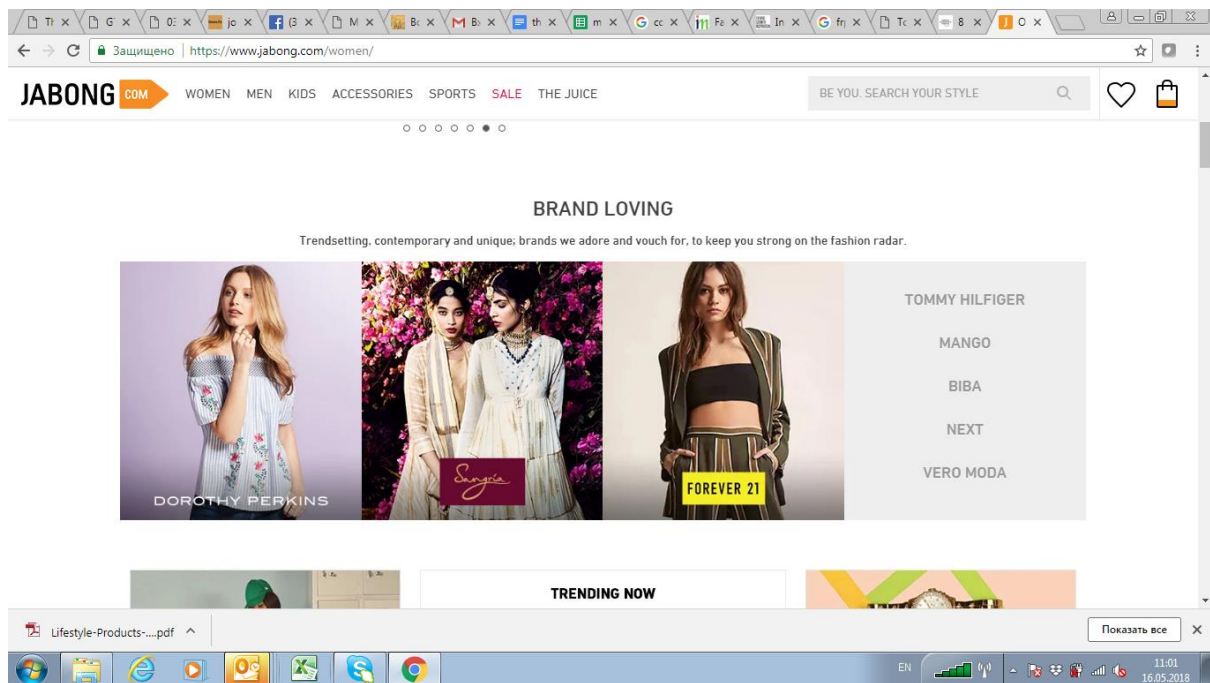

The Vanca is not in the first brand list on Flipcart in Western womenswear, the site does not have an extended list of intermediary brands
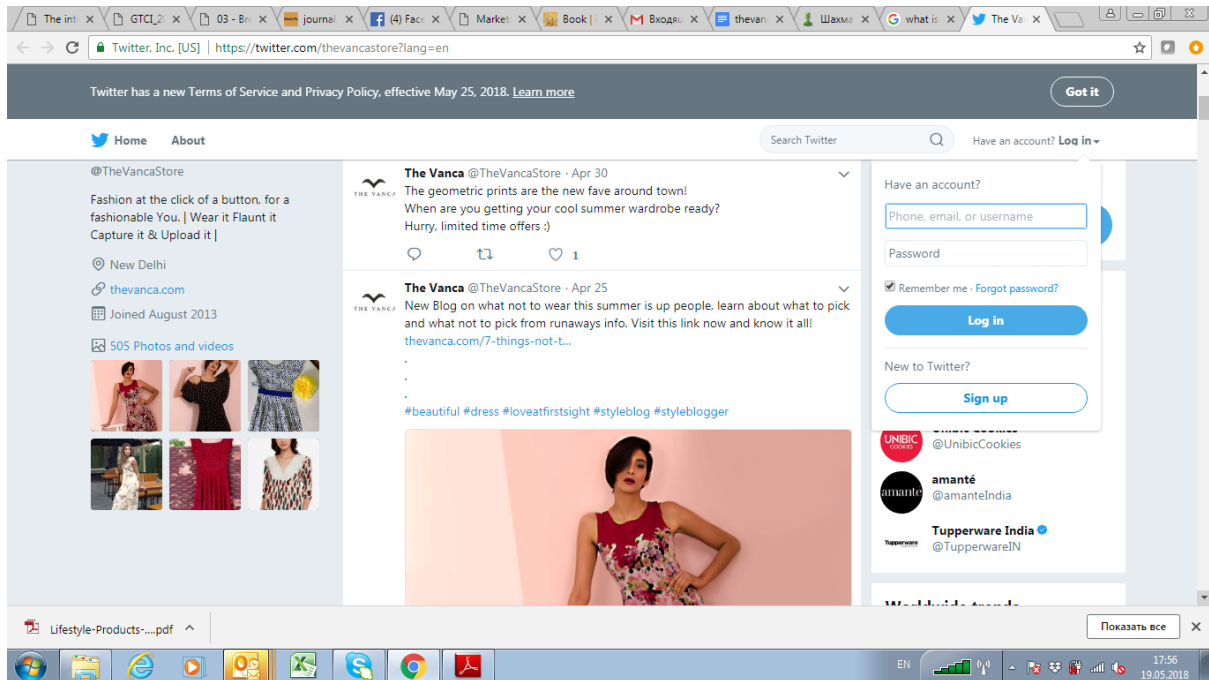
The Vanca is in top brand list on Snapdeal in Western womenswear

The Vanca in not on the list of top brands at Myntra in Western womenswear
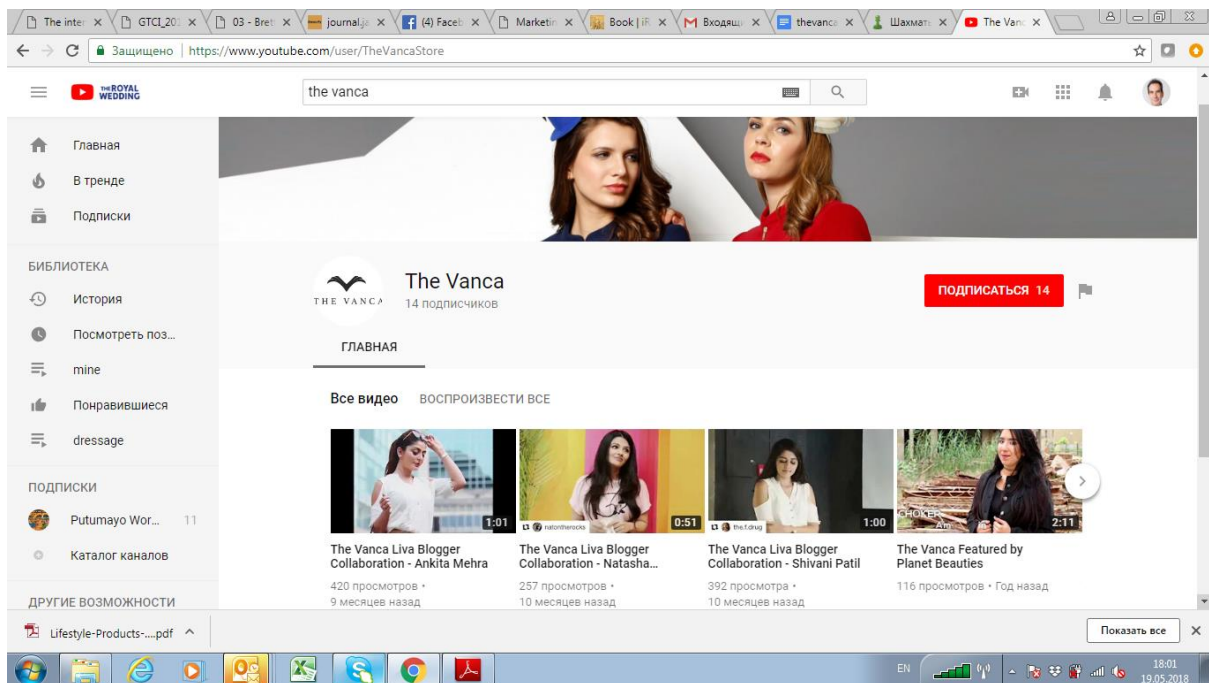
The Vanca presence on Souq, a marketplace owned by Amazon and serving some Persian Gulf markets
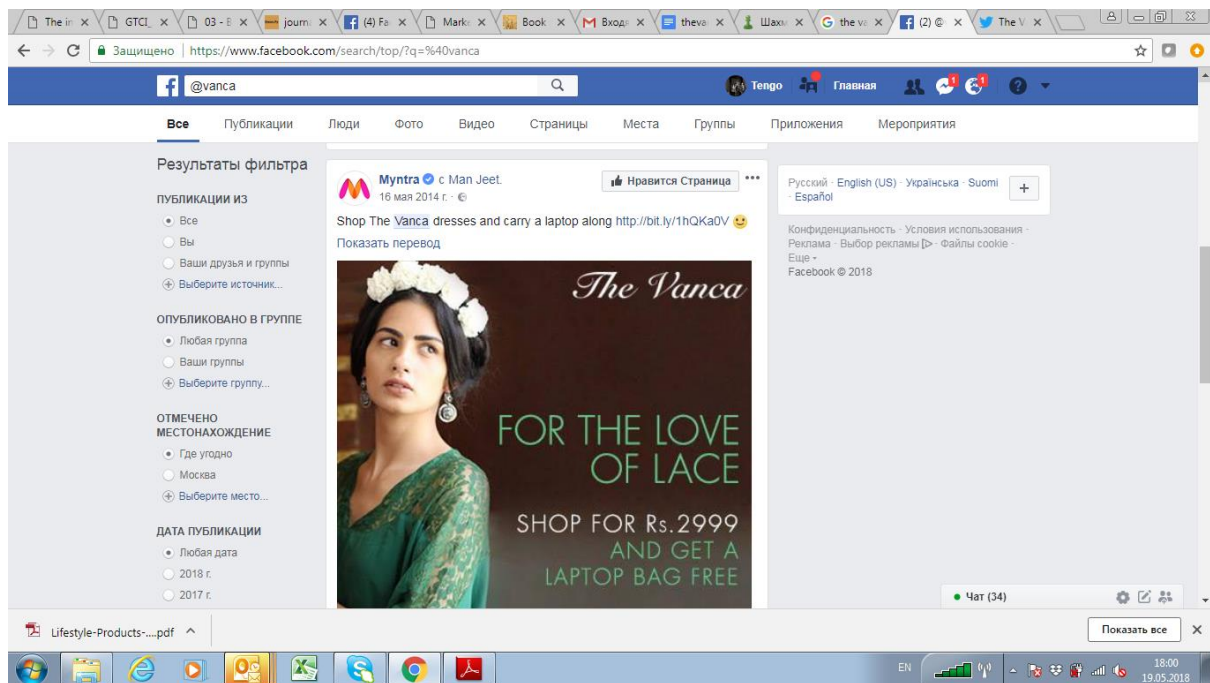
Exbibit II

The Vanca presence in social media[52]

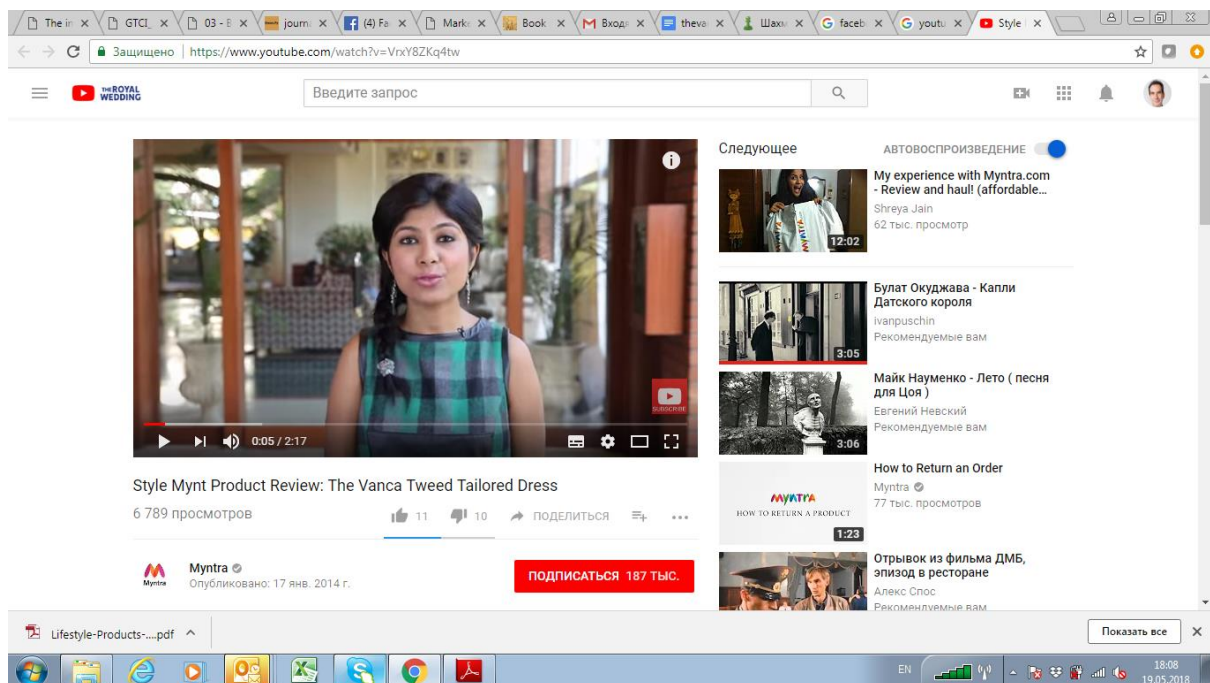The Vanca Twitter page (retrieved on May 19, 2018 at 15:00 GMT)

The Vanca channel on Youtube

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[52] Retrieved on May 13, 2018 at 18:00 GMT

Promotion of The Vanca products on Myntra.com Facebook page (2014)

Promotion of The Vanca products in Myntra.com Youtube channel (2014)