



Scarters: Beating Commoditisation

Vinay, the managing director of a marketing agency and a bag aficionado, sat at his desk wondering what would replace his worn-out Samsonite laptop bag. Even though he was a Samsonite loyalist, Vinay was always open to an exciting change.

He opened the Amazon India website on his MacBook and conducted a broad search for “men’s backpack for office”. There were more than 10,000 results; it was as if everyone was making bags nowadays. So, he used the ₹10,000-20,000 price filter: Samsonite, Victorinox, Arctic Hunter and Hidesign products were prominent among the 98 listings now (see *Exhibit 1*). He had always liked the Hidesign brand, but he preferred not to use leather now. As for the others, the designs seemed too run-of-the-mill. He’d sported more than half of them, rather repetitively, in his decade-long rendezvous with these brands.

A particular listing on top of the page piqued Vinay’s interest: Scarters Terminal was retailing at a whopping ₹16,599 after discount. Yes, that’s right. Not ₹5,000, or 8,000, or even 10,000. But over ₹16,000! Undoubtedly, the bag was visually appealing (see *Exhibit 2*), maybe it was an international brand that he had been unaware of; he checked the details. The manufacturer was a Pune-based company, although the product was made in China.

How did an inconspicuous Indian brand have the audacity to price its products in the same league as global travel and fashion brands?

About Scarters

Scarters was founded by Darshan Shah who had earlier successfully dabbled in Pune real estate ventures. His goal was to “craft need-based products that embody the essence of quality over quantity”. He put together a small team, including former colleague, Sohan Ajgaonkar, to design and market bags targeted at men.



In a market flooded by mass-produced fast fashion, Scarters wanted to create “thoughtful, purpose-oriented products, collaborating with prolific artists and technicians to ensure a handcrafted, seamless blend of functionality and aesthetics”.

Srinivasa Addepalli and Sharadha Jayaraman of GlobalGyan Leadership Academy wrote this case solely to provide material for learning and discussion as part of the Strategy Case Competition 2024. Scarters has provided inputs to this case; however, this is an independent case developed and funded by GlobalGyan. Information has been included using public sources, but the authors do not vouch for the accuracy of the data. Any brands that are included in this case are for academic purposes, and the trademarks belong to those respective companies. The case is not intended to illustrate either effective or ineffective handling of a managerial situation, or a judgement on any business or person.



I wanted to weave the intricacies of world-renowned brands like Apple & TUMI into Scarfers. For me, it's about having a long-term vision; one that is authentic, ethical and adds the "wow" factor in people's lives.

Darshan Shah, Founder, Scarfers

The brand catered exclusively to the non-leather bag aficionados. Where competitors used polyester as the base, Scarfers used 100% nylon and microfiber, which added stiffness and durability to its products.

Scarfes chose to keep its product range small, with just a handful of stock keeping units (SKUs) sold at any time. Initially, this was driven by the need to manage working capital; however, it created a sense of intrigue and exclusivity for customers (see *Exhibit 3* for the Scarfers catalogue).

The Scarfers Brand

Scarfes recorded an annual revenue upwards of ₹10 Crores in FY 23-24, with an average order value nearing ₹10,000. Forty percent of the sales were registered through the company's website, with the balance coming from e-commerce platforms.

Three key values formed the backbone of the Scarfers brand identity.

Innovation: Each Scarfers product was ingeniously designed by a dedicated team of professionals who had invested years into research. If these designs were copied by others, the brand then aggressively re-innovated with better offerings. Customer feedback played a big role in developing the Scarfers designs (see *Exhibit 4*).

Product Quality: The premium prices were backed by world-class quality and clean operational processes. Each product unit underwent extensive quality checks before it was shipped to customers. Scarfers initially manufactured its products locally. However, owing to the substandard quality produced by local manufacturing units, the company was forced to shift its sourcing to China. Scarfers continued to evaluate the option of Make in India.

*We are not here to play the valuation game and exit.
We want to be around for 50 years and more.*

Sohan Ajgaonkar, Director – Corporate Sales



End-to-end experience: The brand took full responsibility of designing the end-to-end customer experience, whether it was for direct consumers or corporates which used Scarters for gifting. With Scarters, every product delivered to the customer included a personal note from the founder, which could be customised for bulk corporate orders. This gesture helped to not only add incredible value to the brand but also secure buy-ins for its premium price point.

Growth Pangs

While Scarters set out to build a unique Indian brand, there were several challenges that had to be dealt with:

Supply Chain & Operations: Manufacturing in China gave a cost and quality advantage, but the lead times were 2-3 months. This created order backlogs and inventory management issues. While Scarters had a desire to move production to India, they had issues finding contract manufacturers who would deliver similar quality products.

Tackling Competition: “Five years back, local competition was almost non-existent. That gave us a good head start”, quipped Sohan Ajgaonkar. The growth of several Direct to Consumer (D2C) brands in recent years was adding both pricing and marketing pressure. Established Indian and international brands had also become very active with their omni-channel presence.

Entering New Categories: Scarters had recently expanded into other categories including wallets and water bottles. Choosing the appropriate products in the portfolio, without diluting the brand positioning was a key decision.

The Challenge

Scarters had to deal with a plethora of competitors: hundreds of emerging brands that were being sold on digital platforms at low price-points, a few venture-funded, aggressive brands that had grown rapidly with comparable designs and lower prices, and of course, the incumbent luxury brands that had the benefit of legacy and physical presence across key markets.

Should Scarters continue its ambition of building a luxury brand, with premium positioning? Or should it target the much larger volume of sales in the popular segments, at lower price-points? In case of the former, how could the brand justify its premium aesthetic and what would be methods to increase sales within this segment? On the other hand, if Scarters chose to expand its market coverage, what should it change in its business model to become competitive?

EXHIBIT 1:

Backpacks Listing on Amazon India

Filtered by ₹10,000-20,000

14 of 98 results for "mens backpack for office" Sort by: Featured

Category

Any Department

Computers & Accessories

Computer Accessories & Peripherals

Components

Desktops

External Devices & Data Storage

Laptops

Monitors

Networking Devices

Printers, Inks & Accessories

Scanners

Tablets

Warranties

Customer Reviews

★★★★★ & Up

★★★★☆ & Up

★★★☆☆ & Up

★★☆☆☆ & Up

★☆☆☆☆ & Up

Price

Any Price

Under ₹1,000

₹1,000 - ₹5,000

₹5,000 - ₹10,000

₹10,000 - ₹20,000

Over ₹20,000

Min Max Go

Computers & Accessories Brands

Top Brands

Buy On Delivery

Eligible for Pay On Delivery

Backpack Design

Laptop Backpack

Recommended Uses For Product

School

Travel

Work

Material

Solid

Closure Type

Zipper

Care Instructions

Hand Wash Only

Wipe with Damp Cloth

Accessories

Cord


Product Description

Utility Pocket


Item Type

Premium Business Laptop Backpack for Men


Shop at arctic hunter



Arctic Hunter 30L Backpack for Men Styli...
★★★★★ 99













Arctic Hunter Slim Backpack for Men Upto...
★★★★★ 43



Arctic Hunter Backpack for Men 30L Office Tra...
★★★★★ 505

Results

Price and other details may vary based on product size and colour.

 <p>Sponsored @</p> <p>Berliner Bags Vintage Leather Backpack Finn, Rucksack with laptop Compartment for Men and Women- Brown</p> <p>★★★★★ ~ 54</p> <p>₹14,299 <small>M.R.P.: ₹20,000 (29% off)</small></p> <p>Save 10% with coupon</p> <p>prime FREE Delivery by Amazon</p>	 <p>Samsonite Laptop Backpack for Women Sefton Backpack Office Bag for Men Travel Backpack Laptop Bag Backpack, 18 Ltrs- Small Size...</p> <p>★★★★★ ~ 27</p> <p>₹12,000</p> <p>prime FREE Delivery by Amazon</p>	 <p>Coronet Multipurpose Laptop Backpack for Men & Women, Ideal for Students and Professionals, Office and College Use (Pink, Pack ...</p> <p>₹10,500</p> <p>FREE Delivery</p>	 <p>Coronet Multipurpose Laptop Backpack for Men & Women, Ideal for Students and Professionals, Office and College Use (Grey, Pack ...</p> <p>₹10,500</p> <p>FREE Delivery</p>	 <p>Scarters Terminal- 16" Spacious Multicompartment Backpack Laptop Bag 24 Litres Water Resistant Premium Nylon Fabric & Vegan Leather ...</p> <p>★★★★★ ~ 192</p> <p>₹16,599 <small>M.R.P.: ₹20,599 (19% off)</small></p> <p>prime FREE Delivery by Amazon</p>
				

Source: Amazon.in web search extracted in February 2024

EXHIBIT 2:

Scarters Terminal Bag Features



Source: Amazon.in product page extracted in February 2024



EXHIBIT 3:

Scarters Product Portfolio

Category	Brand	No. of SKUs	MRP (₹)
Travel Messenger Bag	Terminal	2 (colours)	18,952
Backpack	Terminal T2	2 (colours)	16,597
Office Messenger Bag	Terminal	2 (colours)	14,997
Backpack	Groove Next	1	5,297
Tech Kit		2 (colours)	4,997
Wallets	Abundance	9 (3 types x 3 colours)	1,497 – 3,997
Charging Deskspread		1	2,972
Water Bottle (650 ml)	Hydrate	2 (colours)	1,997
8 Categories		21	


Source: Scarters.com extracted in May 2024

Note: All products were sold at a discount of 30-40% to the MRP



EXHIBIT 4:

Customer Feedback as an Input to Design



Sarthak Thakuria • 3rd+
Product | Razorpay | ISB
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In 2022, it was time for me to replace my worn out office bag, and this time I wanted a bag that would meet at least 80% of my very specific needs (Seema Taparia from Mumbai would be so impressed with me right now). After a lot of research, I finally bought the **Scarters** Terminal V1 backpack not just because of the utility, but also because of the blue brown colours that looked stunning.

One long layover in Mumbai made me realise that this 80% might not be enough after all, especially when I knew exactly what I wanted this bag to do for me. I sat down and jotted down all my thoughts on how the structure, compartments and functionality of the bag could be improved. The layover even ignited the artist in me and I made some sketches of the new design. I couldn't stop now... so I went ahead and sent this detailed doc to the Scarters team.

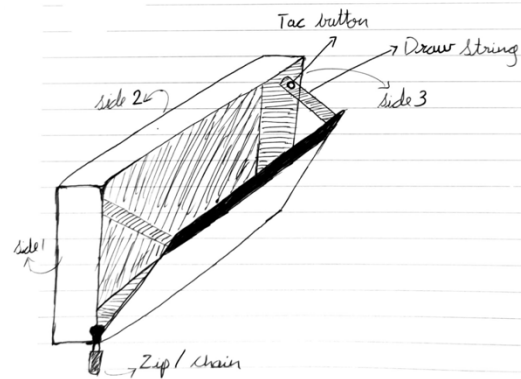
To my surprise the founder, **Darshan**, took the time to go through my email and appreciated the effort & suggestions I had offered. He also enquired whether I would be open to connecting with his design team for any inputs.

Cut to 2023 and the launch of V2 - I received the new bag, and I was stoked to see how well most of my recommendations were incorporated! I love a thoughtfully designed product (physical or digital) and it is always a great feeling to see your thoughts materialise into a useful product.

Kudos to the Scarters team for taking customer feedback so seriously and acting upon it, keep up the great work folks!

Checkout the bag here - <https://amzn.to/3rulDix>

[#product #design](#)



Source: *LinkedIn.com extracted in 2023*