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Title : **EASY BAGS** : *Attractive solution for effective people*

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Abstract

This paper presents the business model made for the company that manufactures a photo camera bags. Easy Bags is a Taiwan brand for the camera bags made especially for nonprofessional daily camera users. The biggest competitors for the camera bags market represent the professional oriented products. However at this moment the DSRL camera market grows mostly because of new nonprofessionals users who switch to the expensive professional oriented cameras with the purpose of improving the quality of the pictures.

The business model presents the plan for the entering Russian and CIS (Commonwealth of Independent States) market with Easy Bags products. It contains the details about the markets opportunities, two years budget, manufacturing and delivery costs, promotion and distribution strategy, and management team.

Keywords: Business plan, Business model, Camera bags, Russian market



Table of Content

Introduction

Business plan for Easy Bags LLC.

Russian market and Industry overview



Introduction

Globalization makes our world different. And it changes so quickly so sometimes we just can't realize that it is already changed. That's what happened with photography equipment.

The model market of digital camera is saturated with the wide range of products where you can easily buy camera from \$100 to \$1000000. Today almost everyone has his own camera or could afford it. Making picture becomes an essential part of our everyday life. We even prefer to make a shot than to use pen and paper. We picture everything – landscapes, people, useful information, unuseful information, books, products at the store shelves, advertisement from a board. We use different kind of cameras starting from the cell phones and ending with huge professional ones. And a certain idea unites us – we are waiting for a better quality. That's why we decide to buy a new camera, more expensive and advance. Today digital camera market is almost saturated in the low and middle price segment. So now is a real boom in selling a low-end professional segment of cameras known as DSLR(Digital Single Lens Reflex). This is a camera with a changeable lenses looks like that a professional photographers use. According to the market research in Russia – DSLR camera was the only one sector of consumer electronics (except Netbooks) where sales were not affected by the 2008-2009 crises. With a popularity of social networks having good pictures becomes very important for the young people and that was the other important reason for buying the DSLR camera. Comparatively to 2001 the ordinary owner of DSLR in 2011 becomes totally different instead of camera accessories that are still made for a professionals and especially camera bags.

Because of the relatively big size DSLR camera needs its own bag and that's why it provide a special segment for the bags manufacturer. There are several manufacturer

of DSLR bags and all of them a providing the bags for a real professional instead the real users of this kind of camera. The usual bag is made with simple standards: durable synthetic materials, non-attractive design, flexible inner space, easy to wash materials, dull color tones. These entire features are very useful and attractive for professional reporters and travelers but not for the young and modern people that are more interesting in having fun. That's why my Idea is to produce the new camera bags for new camera owners.

Business plan

For Easy Bags LLC.

EXECUTIVE SUMMARY

New kind of users for DSLR camera – are young and modern people whose needs are different from that the professional photographers has. That's provide us an opportunity to fit their need with bright and attractive camera accessories that could be as convenient in usage as attractive by the fascinate design and special high quality material that could make a camera bag an excellent accessory for you every day or eve occasional clothes.

Business description

We are a camera bag manufacturer company with a focus on providing to the Russian customers the contemporary stylish products in professional digital camera bags market.

Our company is an LLC that is based in St. Petersburg, Russia – the second largest city in Russia with a large seaport and population near 5mln people. Our aim is to fit

the needs of individuality and innovative design of the young generation of DSLR camera users (the amount of whom is growing rapidly) with stylish and high quality camera bags.

Company ownership

The company is owned by Philipp Chistyakov as the founder and CEO of Easy Bags LLC. with the share 50% and other 50% of the ownership is distributed within the investor respectfully to the amount of capital invested.

Mission Statement

Easy Bags and all our employees and managers tries to do our best with the respect and patience to our customers their needs and individuality with providing a high quality contemporary and creatively designed Camera bags to become the market leaders in a modern city-style camera bags.

Vision

To be a first choice in the camera bags business for the all bright and enthusiastic people.

Strategic goals

To understand the needs of our customers much better than our competitors and to align our capabilities with important and timely opportunities.

To strengthen business by improving our distribution channels and bags design and finally to expand our sales to the whole territory of CIS countries within next five years.

Target Group and Market

Our target market is Russian biggest cities with the population more than one million people and especially Moscow and St. Petersburg (aprox. 16mln people).

The target group is a young people from 16 to 30 years who are fond of photography.

They are young and innovative city persons who want to express their individuality and look attractive.

Russian market and Industry overview

ECONOMIC ANALYSIS

Population:

As of 2007 Russian Federation ranks tenth in the world with a total population of 141,927,297 people as of year 2010.(Nation Master). There are 11 cities in Russia, The biggest city in the Federation is the capital, Moscow, at 10,415,400 people (Nation Master) and second largest city is St. Petersburg, at about 4,500,000 people. About 70% populations of people are staying in the cities area.

The overall sex distribution in the Russian population is 0.859 males/female however in the 15-64 year old range the distribution is much closer at 0.92 males/population female. Even more interesting is the distribution between men and women in the 15 to 34 range that reside in urban areas.

At birth: 1.06 male(s)/female

under 15 years: 1.06 male(s)/female

15-64 years: 0.92 male(s)/female

65 years and over: 0.44 male(s)/female

total population: 0.85 male(s)/female (2010 est.)

Population Breakdown and Age Males Females structure Percentage: _

0-14 years: 15% (male 10,719,222/female 10,164,040)

15-64 years: 71.7% (male 47,791,200/female 52,199,897)

65 years and over: 13.3% (male 5,629,671/female 12,886,175)

The overall birth rate growth 11.11 births/1,000 population. Comparison to the world, the birth rate growth is at the 127 world ranked

Economic overview:

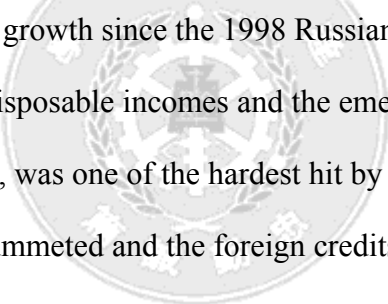
Russia has undergone significant changes since the collapse of the Soviet Union, moving from globally-isolated, centrally-planned economy to a more market-based and globally-integrated economy. Economic reforms in the 1990s privatized most industry, with notable exceptions in the energy and defense-related sectors.

Nonetheless, the rapid privatization process, including a much criticized "loans-for-shares" scheme that turned over major state-owned firms to politically-connected "oligarchs", has left equity ownership highly concentrated. The protection of property rights is still weak and the private sector remains subject to heavy state interference.

Russian industry is primarily split between globally-competitive commodity producers - in 2009 Russia was the world's largest exporter of natural gas, the second largest exporter of oil, and the third largest exporter of steel and primary aluminum - and other less competitive heavy industries that remain dependent on the Russian domestic market. Estimation of the exports is about \$295.6 billion (2009 est.). This reliance on commodity exports makes Russia vulnerable to boom and bust cycles that

follow the highly volatile swings in global commodity prices. The government since 2007 has embarked on an ambitious program to reduce this dependency and build up the country's high technology sectors, but with few results so far.

About the import, Russia mostly import vehicles, machinery and equipment, plastics, medicines, iron and steel, consumer goods, meat, fruits and nuts, semi finished metal products. Estimation of the imports: \$196.8 billion (2009 est.) and their Import partners: China 12.9%, Germany 12.6%, Japan 6.9%, Ukraine 6%, US 5.1%, Italy 4.1%



The economy had averaged 7% growth since the 1998 Russian financial crisis, resulting in a doubling of real disposable incomes and the emergence of a middle class. The Russian economy, however, was one of the hardest hit by the 2008-09 global economic crisis as oil prices plummeted and the foreign credits that Russian banks and firms relied on dried up. The Central Bank of Russia spent one-third of its \$600 billion international reserves, the worlds third largest, in late 2008 to slow the devaluation of the ruble. The government also devoted \$200 billion in a rescue plan to increase liquidity in the banking sector and aid Russian firms unable to roll over large foreign debts coming due. The economic decline appears to have bottomed out in mid-2009 and by the second half of the year there were signs that the economy was growing, albeit slowly. Long-term challenges include a shrinking workforce, a high level of corruption, and poor infrastructure in need of large capital investment. The summary of the GDP for Russia in 2009 is about \$2.116 trillion, ranked no 7 in the world and the estimation of the real growth rate for 2008 is 5.6% and estimation of – 7.9%

Russia is characterized as one of the most quickly developing country with a huge potential of economic growth, Russia is:

- *Member of G8*

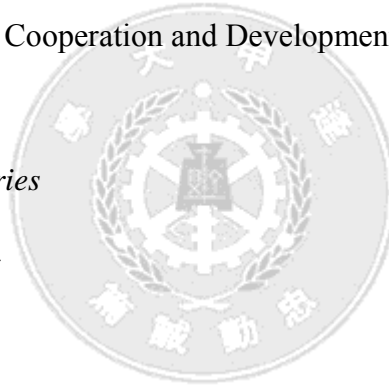
The Group of Eight, G8 can refer to the member states or to the annual summit meeting of the G8 heads of government. G8 members are France, Germany, Russia, Japan, United Kingdom, Canada and United State.

- *Member of OECD countries*

Organization for Economic Cooperation and Development

- *Member of BRIC countries*

Brazil, Russia, India, China



Debt

Russia faces no major debt problems. Government debt is low, corporate debt is moderate, and household debt is still miniscule at estimate 6.9% of GDP (2009). Russian companies have cut their total foreign debt by more than 1/3 in recent months. The peak of foreign debt repayments for 2009 has already passed. Russia simply does not face the huge solvency problem that Western countries face.

Income

Although Russia has been on a steady increase for the past seven years the average income is still fairly low. In Russia the average monthly income per person is \$750 dollars with a total yearly sum of \$9,000. In Russia have a significantly higher percentage of earnings available for discretionary spending, the inflation rate for

Russia is about 11.9%, however, according to Newsweek Russian consumers are able to allot up to 70% of their earnings to discretionary spending. Current research suggests that Russia will continue to experience steady economic growth, especially in the disposable income. With the increase in national economic levels an annual compound growth of 13.9% is likely through 2010. Due to subsidized pricing on health, rent and other necessities, Russians earning a decent monthly wage have a comparatively large discretionary spending budget. This budget is free to be used on clothing, entertainment, food and luxury items and etc.

TRANSPORTATIONS & TELECOMMUNICATIONS

Roadway: 933,000 kilometers in service of which 725,000 kilometers paved or gravel and of which 445,000 kilometers serve only specific industries or farms. Automobile travel expanding, but roads inadequate in quality and quantity.

Railway: 154,000 kilometers wide-gauge in of which 87,000 kilometers for common carrier service. 49,000 kilometers diesel, and 38,000 kilometers electrified. Proportion of cargo shipping by rail high by Western standards. System in need of large-scale repair.

Civil Aviation: 1,216 airports, of which fifty-four with paved runways over 3,047 meters. Aeroflot, the state monopoly of Soviet Union, now joint-stock company with majority of stock held by government. Major international airports include Sheremet'evo, Sheremet'evo-2 and Domodedovo in Moscow and Pulkovo in St. Petersburg.

Ports and Shipping: Main ports Arkhangel'sk, Astrakhan', Kaliningrad, Kazan',

Khabarovsk, Kholmsk, Krasnoyarsk, Magadan, Moscow, Murmansk, Nakhodka, Nevel'sk, Novorossiysk, Petropavlovsk, Rostov-na-Donu, Sochi, St. Petersburg, Tuapse, Vladivostok, Volgograd, Vostochnyy, and Vyborg. Merchant fleet 800 vessels in 1995. Some 235 ships operating under Maltese, Cypriot, Liberian, Panamanian, St. Vincent and the Grenadines, Honduran, Marshall Islands, Bahamian, and Vanuatu registry.

Waterways: Total navigable routes in general use 102,000 kilometers. (including 33,000 km with guaranteed depth)

Telecommunications: mobile telephone 187million. Development of modern communications lines and acquisition of advanced equipment slow. Diversity in radio and television programming increasing since late 1980s. Radio broadcast stations: AM 323, FM about 1,500, shortwave 62 and Television broadcast stations: 7,306

Access to Internet expanding, Internet hosts: 7.663 million in 2009 while Internet users: 45.25 million in year 2008 but poor state of telecommunications hinders country's modernization.

MARKET OVERVIEW

According to world market analysis of digital cameras it is looks like almost saturated and the growth comes from the price optimization and differentiation of products. So the researcher's data shows that the biggest growth rate comes from the DSLR segment. The Russian market is not an exception.

Because of the 2008 financial crises the digital camera market shows negative sales dynamics until q4 of 2009¹. However inside the digital device segments the DSLR

¹ Data provided by the Russian Intraregional Marketing Centers Network

camera shows a real market growth for more than 7-10% annually from 2007 (10,4% - 2009). The Whole DSLR camera market size estimated for 2 million pcs and annual sales of 200000-300000 pcs.

Our group decides to enter the Russian market with a new kind of Camera Bags design specially for DSLR camera and totally different way of design in comparison with market leaders.

Market competitor's analysis:

The Digital camera bags market is characterized by two main features. First one is that the market mainly dominated by one company - LowePro with its total share of about 60%. By the way LowePro is at the same time and the oldest big international player on that segment. The others main competitors are – Tamrac 20% and Kata – 5%. The Kata is a rather new player (since 2008) and it uses an aggressive market politics to expand the market share. The second Characteristic is that all this three main competitors are presented with only products for professional photographers with a lot of functions useless for ordinary users. The other aspect of this characteristic is – high price that comes from a special materials and features implemented in the professional bags. The only Kata provides its adventure style bags lines design in a style on National Geographic's. The other share of the market is represented by plenty (about 20) small brands with a market share less that 1% each. These dozens of brands are also characterized by a geographical localization and most of them doesn't presented in the whole country.

Marketing research:

The market research was already made for the target group according with the following plan:

1. Pilot Testing

Before the formal distribution of the questionnaire, a thirty-sample pretest was conducted to ascertain whether the questionnaires were confused or hard to answer.

2. Questionnaire for Formal Sampling Survey

The questionnaire for the formal sampling survey in this study was made using method of open answer and multiply choice questions contains six parts. Except the first part and the sixth part, the other parts were measured by 5-point Likert-type scales and ranged from 1 (strongly disagree) to 5 (strongly agree).

3. Research Subjects and Data Collection

This research subjects were the consumers located in Russia, which ever from 16 to 35 years citizens of the 11 biggest Russian cities with population more than 1 million people. Through convenience sampling, the study sent 350 copies of questionnaires for data collection.

As young people segment was chosen by our team as the target group, the internet survey have been made. Survey was made through a Russian state universities intranet with the population of **800** respondents. Under that research a few conclusions were constructed:

- *DSLR camera need for fun*
- *Most of the respondents bought DSLR camera in last two years.*
- *DSLR camera consumers are less 30 years old*
- *Camera bags looks boring*

- *Wants to have designers bag for the suitable price.*
- *Fear of using professional bags*

According to results of our research we can construct a picture of a new average user of DSLR camera. Most of the respondents bought it first and the only DSLR camera within 2 last years. They bought it because of suitable price and perspective of better quality. Less than 20% of the respondents want to try making money on photography but the majority uses them just for fun. Camera users are very young from 18 to 30 years at average. Internet social networks makes young people feel need of high quality pictures to share.



Threats and opportunities

Most of these findings can easily become our opportunities. For the majority of the young customers the special functions and characteristics of the most of camera bags are useless and even harmful because that special kind of professional bags attracts thieves.

Base on a market and customer analysis we mention the list of opportunities and threats

Opportunities:
1) New type of consumers of DSLR
2) Lack of individuality in DSLR bags
3) Fear of thievery
4) No competitors focus on non professional segment
5) Non-professional customers needs

- 6) Middle price segment
- 7) Expand to non DSLR camera segment.

Threats:

- 1) Products imitators
- 2) Quick respond from the market leaders
- 3) Economic downturns
- 4) Government regulations

The threads connected with the economic situations was mention because of in 2008 after financial crises occurs in Russia there was a import tax rise for 57% of import goods. The other thing that bags is low-knowledge intensive product so it easy to substitute that provides us a threat of imitation and an aggressive marketing on the first years of market entering needed.

PRODUCT OVERVIEW

Easy bags - is The Camera Bags brand for young and modern people who respect highly convenience and individuality

Mission and objectives:

Be different with camera bag that looks great with a suitable price




Brand Characteristics:

- Focus on no-professionals needs
- Focus on Young people

- Focus on design and creativity
- Focus on middle income customers
- Focus on new materials and approaches
- Focus on comfort

Product Concept

The main Idea is based on the three level product structures to optimize the cost and provide the convenience to the customers.

1)		Bags with unordinary fresh design made from the different and bright material
2)		A special insert the central part of the bag. You can put it out and use the bag as a ordinary bag. You can use an insert with any other bag you wish. You can also purchase the insert itself separately
3)		You shouldn't pay for the things you don't need. So you can buy additional bag accessories' separately

Three levels structure

Three levels structure was made to optimize the cost of the product by deduction the possibly useless features that customer doesn't need. Different add-ons could be bought separately. The other thing is that both the bag and the insert could be bought separately and allows customer to use it with the any bag he wishes or to you the

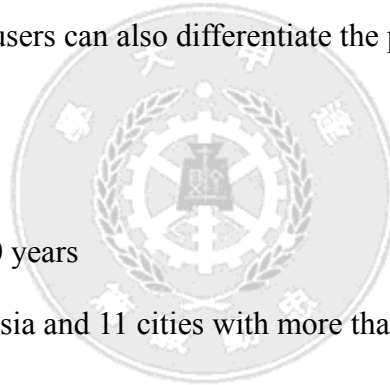
original bag for ordinary purposes (when the insert is out)

Broad price level

By using different materials we can afford price for any customer we have.

Innovative synthetic material bag will be looks great at a fair price. And a special bags made from a special durable leather could fit the need for a more wealthy or stylish customers.

Different bag size from a small and bright one for a camera with a single lens could became a great accessory for girls and teenagers to a big one with for a camera with a few lenses for more advanced users can also differentiate the price.



Target market

Customer: Young people 16-30 years

Geography: central part of Russia and 11 cities with more than 1 million populations.

Income: middle income

2 million PCS is the potential size of the market (still growing)

Expected sales through the first years = 50000-70000pcs

Product Cost calculation

Manufacturing cost (manufacturing in the central Taiwan):

- *BAG 10 USD/PCS (small one)*
- *INSERT 3USD/PCS*

40FT container includes: 10000 bags pcs or 16000 inserts pcs.

Delivery from Keelung Port to St Petersburg port

The container cost of ocean carrier: USD1300/40ft

EASY BAGS : Attractive Solution for Effective People

Delivery to St. Petersburg warehouse:USD1600

Shipping Insurance cost: 0.35% = USD 340

Import TAX: 32,7% = USD 22,500

Delivery and import tax cost add aprox. 2.32 USD to each PCS of Product

Rental cost of warehouse: USD 482.62/per month

Average cost per unit after delivery:

BAG - USD 12,32

INSERT – USD 5,32

Suggestion selling price:

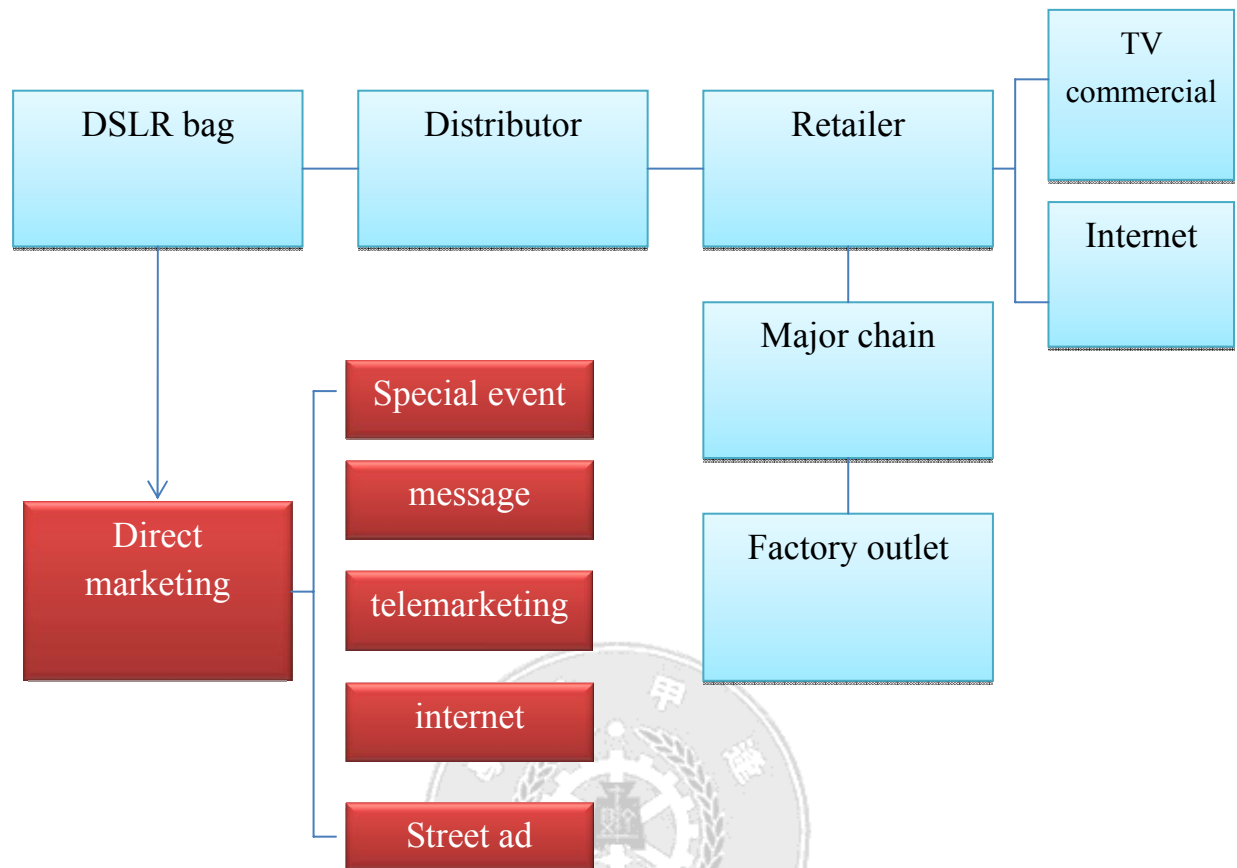
Suggestion in Russia per bag unit : **USD 45~250**

Insert unit: **USD 20-30**

With the usual Russian profit of 35-40%

DISTRIBUTION OVERVIEW

Scheme for distribution channels



Distribution of Geography:

- Central Russia
- Northwestern Russia
- 11 biggest Russian cities

Distribution channels

- Retailers
- Specialized chain store
- The mega store chain
- Online sale
- Drop shipping

Retailer: We are the new brand and new vendor in Russia. So we prefer to choose a

cheapest ways to sell our product. Also our target consumers are younger generation. They spend too much time to surf the internet and to watch television's special channels like commercial, sport and entertainment. For this reason we have choose TV commercial and internet sale. For example, for the internet sales, there are biggest website is <http://www.ym.spb.ru/>, <http://www.fotomagazin.ru> in Russia. These websites dedicated for a photographers. There are most of new photo related products and information about price and instruction of photography on this site.

Also most important ways are specialized chain stores and mega store chains.

Specialized chain store: Because there are more than 11000 specialized photo stores and 2 large Photo chain stores with more than 30 units in the central part of Russia.

The mega store chain: There are 8 mega-store chains with units located in more than 6 regions of Russia such as Metro, Mera, and Лента. We will collaborate with largest of them. In additional, there are more than 32000 online Photo stores we also can collaborate. Most of them are very interesting in finding new photo products to support the digital camera sales and restore the loss of the financial crises.

Online Sales: The other is one of the most growing markets of online sales that can cover most of the territory of the country with the more than 32000 stores. Through the survey of Russia Internet hosts have 7.663 million in 2009 while Internet users: 45.25 million in year 2008. We are going to use our own online store and Drop shipping scheme both. Drop shipping is another form of online sales popular within South-Asia manufacturers. This is a way when online store doesn't need to but and store the products for himself. He just publishes our product at his online store and

redirects the orders to us and we will send the product right to the customer. As the bags are not heavy so the mail spending wouldn't be a problem.

Promotion Strategy

- Internet
- Specialized magazines
- Street advertisement
- Special events

We focus on direct marketing for advertisement. Our promotion should concentrate on the young people and their individuality with the main idea.

TV advertisement is very expensive measure especially in Russia. So we are going to promote and to inform our product through:

Internet: Make sure we hope that an internet can be promoting our product fluently for our target consumers.

Specialized magazines: we will collaborate with most popular special magazines of Russia such as Фотомагазин, DigitalPhoto, Photo and Video, etc


Street advertisement: This is profitable and helpful way to attract consumers and to get income from market.

Special events: Russia has long great history. So there are many big special events such as Victory Day, New Year ...etc, also there are other related days for our selling.

In the first period of promotion we should concentrate on the customer education explanation the idea of the product and it valuable features, mainly about the convenient “inserts” and lovely and attractive design; tell to the customer that the bag

is not just good-looking but very convenient and practice in use. For doing this a special article should be published in specialized photo offline and online magazines and on the most read web-blogs and internet forums that are very popular in Russia. After educational function we should provide a massive advertising campaign through the mention channels to attract as much attention as we could. However the main channels of information flows in the photographic society is to use special magazines and promotion through the special events and fly cards in the place of the young people concentration.

Our promotion should concentrate on the young people and their individuality with the main idea

- 
- *“it’s a nice way to be different”*
 - *“be free of market standards”*

Resources

According to our spending calculations:

- One 40ft container after delivery cost 84000 USD
- Warehouse rent 480 USD/per month
- Average marketing spending 50000 USD for the first year.
- The manufacturing lead time is 40 days
- Delivery from Taiwan to Russia 40 days
- The average manager salary is 800\$

We can suppose that for the first time we should get at least two containers. As we need to wait almost 90 days before delivery we should order third container as so as the first two would be shipped. So including our 3 first containers, warehouse rent, three managers and warehouseman salaries, and advertisement expenditures for the

first half year we will need at least 400,000-450,000 USD. After 6 months we expect add operational revenue for the making new container orders.

Management team

Our management team is consists of highly enthusiastic, energetic, well educated, creative, and mind opened people.

For the opening stage our management team would consist of a Research and development manager who will work with the designer's team, marketing manager who will promote the products, a supply and distribution manager, production & quality control manager who will works directly with the ODM companies, and accounting & finance manager. Most of the team members already approved and are to start the campaign.

In the future we would need to build a broad dynamic management team with an accent on R&D and supply chain departments.

Business development

There is a following developing plan for a 5 years period:

1-2nd years. To enter the Russian market with the limited products and price range.

For this time product range should be limited within 5 types of camera bags. We should build a distribution chain in Moscow and Saint Petersburg city by working with physical Photography chain-stores and national online stores. The expected sales volume is 100000-150000pcs per two first years.

3rd year. Build a national distribution chain with a broad product range to a 30 types of bags from 40\$ to 250\$ price. We should start the expansion to the near CIS countries - Ukraine, Belarus.

4-5th years. It is a time for creating a cross-national CIS distribution chain. Expand

the product range from camera bags to other camera accessories like camera straps, caps, screens protectors, camera cases etc. to diversify sales and improve Russian national sales. The expected sales volume for the 5 years is 1-1.2 million pieces.

CONCLUSION:

Russia is a big developing market (number 8 world economy) with a large (141mln people) and highly educated (97,4% literacy level) population, strong cultural traditions, and beautiful and picturesque nature. The growing demand for a low-end professional digital cameras and a new type of the customers makes the market of stylish and creative camera bags very interesting and still uncompetitive. According to the cultural similarities of former Soviet Union and East-European countries will let as additional opportunity to low-cost expanding. But even now the market is evaluated in about 2 million pcs and it grows approximately 300,000 annually.

Instead of camera producers already differentiate its SLR camera segment and revised their price policy in accordance to new kind of non-professional users, the camera bags producers still doesn't fit that customers segment.

The other thing to choose that industry is that bag production is rather cheap and Taiwan companies have a good experience in manufacturing that kind of product. This kind of product is low-knowledge extensive so it is rather cheap in producing (average 10-20 USD in manufacturing). This allows us to invest rather modest amount of money (0, 5 million USD) to compete for a new market.