

BEACON PILOT PROJECTS

Kudumbashree NRO

2015



NUTRIMIX, CAFÉ KUDUMBASHREE, HOMESHOP

Sharing the experiences from Kerala about the projects
which act as guiding lights to entrepreneurs across India



Aajeevika
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CHAPTER 1: NUTRIMIX

HISTORY & BRIEF INTRODUCTION

The Integrated Child Development Services (ICDS) provides supplementary nutrition for children in the age group of six months to three years in the form of Take-Home-Ration (THR). The Social Welfare Department, Government of Kerala, has adopted the decentralized model of production and distribution of the THR in collaboration of Kudumbashree-State Poverty Eradication Mission.

In January, 2005, Central Plantations Crop Research Institute (CPCRI) developed a formula for Nutrimix which was accepted by Social Welfare Department, Kerala and after conducting a pilot study of the product in three selected blocks it was extended to other blocks by June, 2006. Nutrimix was earlier supplied by a private agency.

Kudumbashree mission approached the government to procure orders for the supply of the food supplement. CPCRI initially provided training to these women groups for preparing recipe. Food Corporation of India (FCI) helps in availing wheat at a cheaper price to the Nutrimix units. Banks help in availing initial loan amount for buying machinery and creating other infrastructure facilities.

This is a unique three-way model in which ICDS acts as a monitoring agency, funds are channeled from the Block Panchayat as well as the Gram Panchayat, and Kudumbashree acts as producer of the supplement. Every month, an “intent” is raised by the ICDS based on the number of children registered in Anganwadis eligible for the THR.

“Amrutham” Nutrimix is a food supplement for children prepared by small units, consisting of NHG members, prevailing in every district of Kerala with the patronage and guidance of Kudumbashree. Such kind of initiative, exclusively involving women, has been pioneer in the field of rural development, financial inclusion and most importantly in the battle against malnutrition.

Amrutham Nutrimix as a Take Home Ration (THR) gets supplied to Anganwadis by the units, from where the children get for free. Each Panchayat/Municipality/Corporation is allotted to Nutrimix units who supply the required quantity every month. The units get paid by the ICDS supervisor through Panchayat. Nutrimix’s popularity has increased

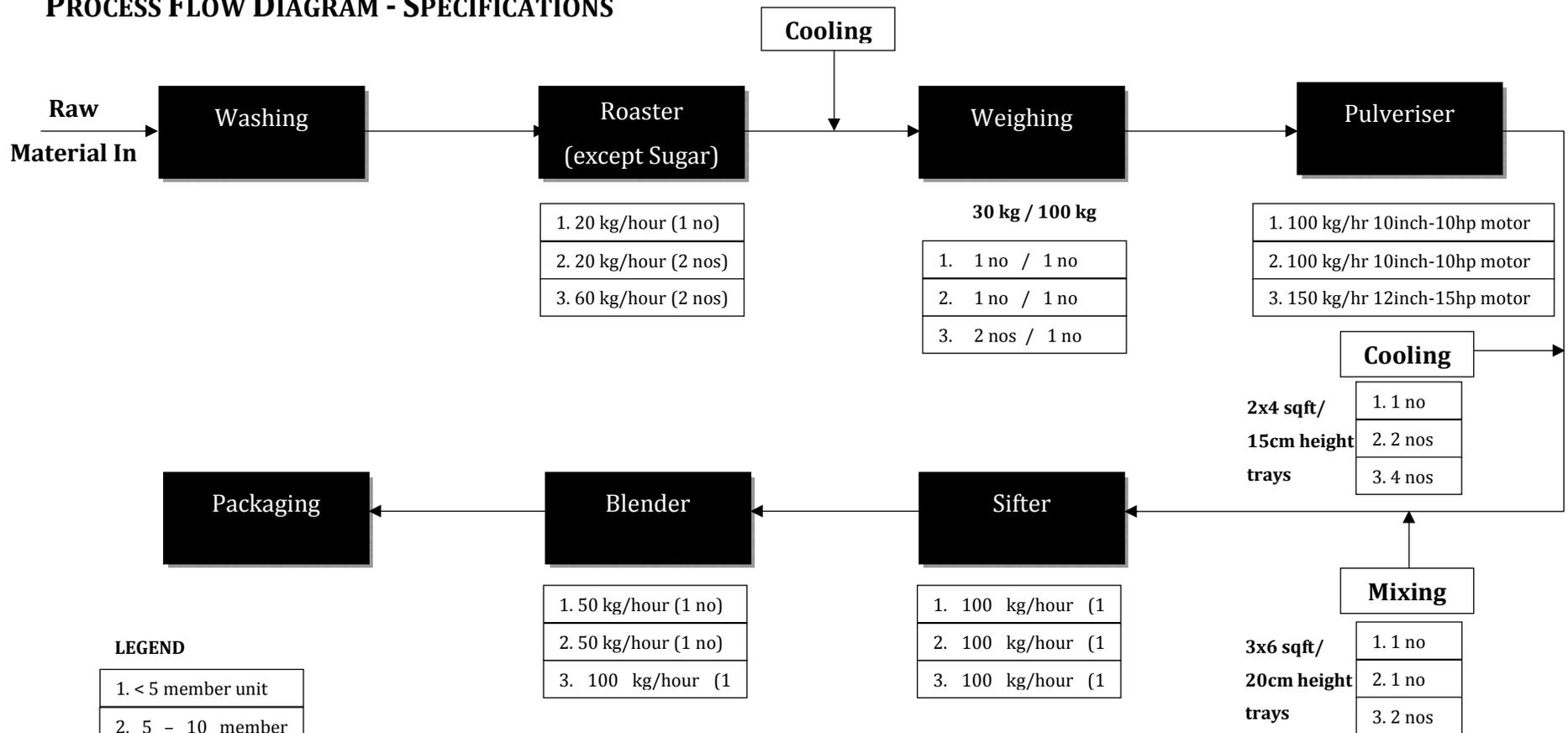
over the years for the standardized quality and the unit's capability to meet the demand with adequate supply under all circumstances.

ENTERPRISE SETUP STAGES

Pre-Enterprise Setup	<ul style="list-style-type: none"> • <u>Entrepreneur Identification</u>: Pre Orientation, General Orientation Training, Entrepreneurship Development Programme • <u>Skill Building</u>: Seven day residential training program by CPCRI
Enterprise Setup	<ul style="list-style-type: none"> • <u>Licences</u>: To start a unit three kinds of license would be needed, such as D&OE license from the Panchayat, Small Scale Industry registration and Food Safety and Standards Authority of India's license. • <u>Building</u>: Identify a suitable building of the Panchayat, or privately. It should have adequate space for storage, 3 phase electricity connection, connectivity to road transport, good ventilation and a safe working environment for women • <u>Equipment</u>: Not all equipment has to be bought during setup. Estimate the demand and procure equipment of adequate size from reputed dealers. Equipment should have guarantee and maintenance clauses. • <u>Financing</u>: A combination of SRLM subsidy, Loan, Own contribution and Panchayat support can be used for seeding the enterprise. Further development can come from retained earnings. Further funds from SRLM like Technology fund, Revolving Fund, Second dose fund may be available at later stages.
Continuing Operations	<ul style="list-style-type: none"> • <u>Raw Material Procurement</u>: Procurement in bulk may be beneficial. Consortium of all units in the district procures material in bulk. Wheat is procured from FCI for which subsidy is available. • <u>Production</u>: Production is as per the Standard Operating Procedures (SOP) defined by Kudumbashree • <u>Quality</u>: Every month a sample from each unit is sent to a lab of the Ministry of Women and Child Development for quality clearance • <u>Distribution</u>: Nutrimix in Kerala is distributed to various Anganwadis in the Panchayats/Municipalities assigned to the unit • <u>Working Capital Management</u>: The units receive a one month credit period from the suppliers of raw materials. Payments are received from government agencies, sometimes with delay. • <u>Skill Enhancement</u>: Regular Performance Improvement Programmes (PIP)
Scale-up of Operations	<p>After the market has matured and production stabilized, further scale-up would benefit from forming Consortia, Common Facility Centres and QC Labs</p> <ul style="list-style-type: none"> • <u>Consortium</u>: A collection of units in a geographical area (In Kerala a district). Consortium acts as a point of contact to generate intent,

	<p>bulk procurement of raw materials and intervene to solve any issues of individual units.</p> <ul style="list-style-type: none">• <u>Common Facility Centre</u>: A smaller collection of units (typically 2-4) which share a common production facility. This helps in reducing per unit capital investment, improves capacity utilization and reduces per unit overhead costs.• <u>Quality Control Lab</u>: As the production scale increases, there are increasing chance for impact on quality. Each batch must be tested to ensure quality. Currently in Kerala samples are sent to a lab in Chennai. It would be cost and time effective to have QC labs in closer proximity to the units. Detailed project cost included in Appendix 2.
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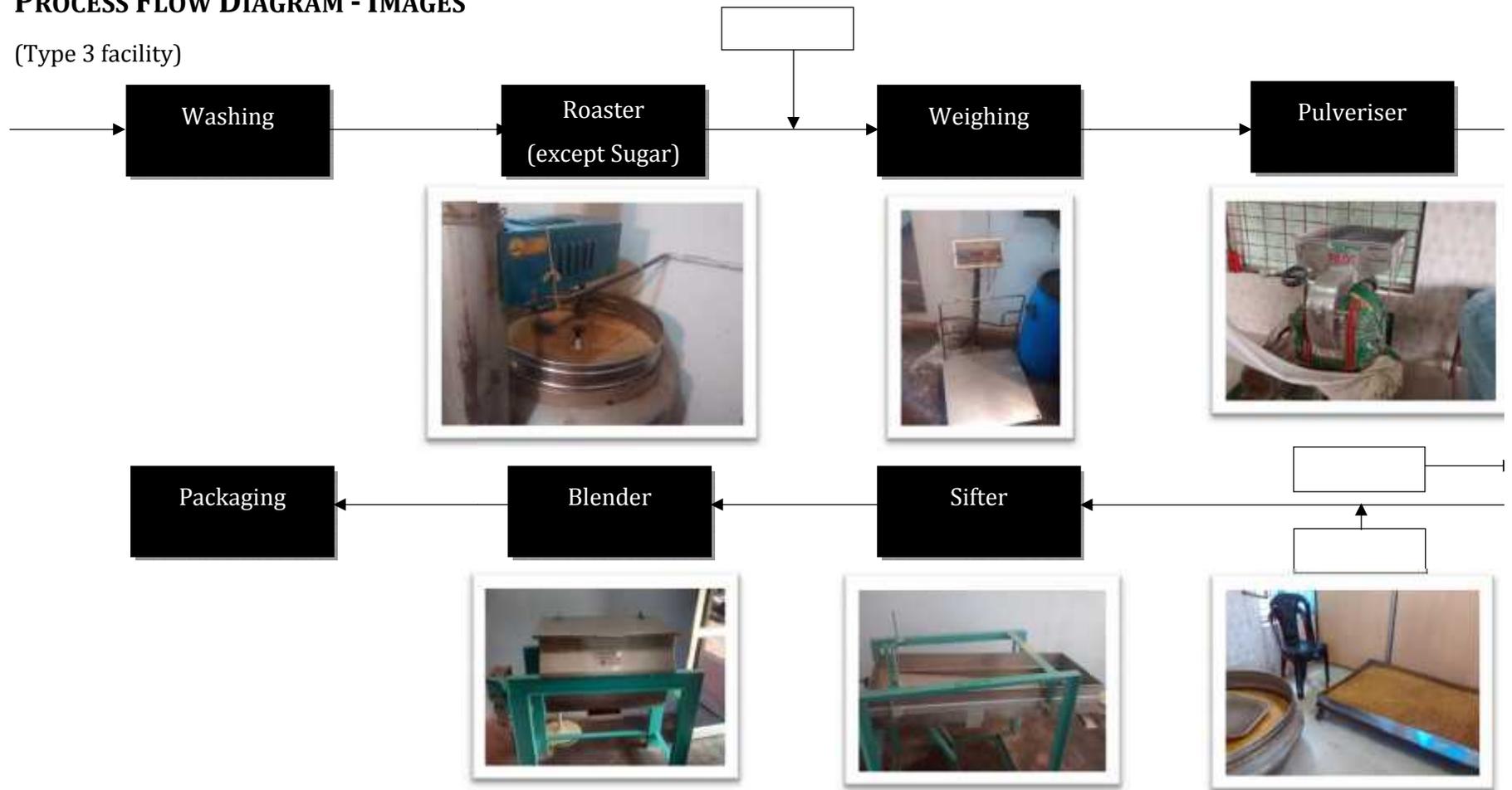
PROCESS FLOW DIAGRAM - SPECIFICATIONS



**Process developed by CPCRI and the specifications defined by Satyan Kayanna*

PROCESS FLOW DIAGRAM - IMAGES

(Type 3 facility)



FINANCIAL ESTIMATES OF THE NUTRIMIX UNIT

Enterprise setup

Consider a unit of 15-20 members, which produces up to 10 MT Nutrimix per month. The following are the indicative financials of setting up the unit.(Pilotsmith (India) Pvt.Ltd, 2015).

Equipment

Before the setup, the market size has to be estimated and the market share expected to be captured. On an average, every member is able to produce at the rate of 0.5 MT per month. Thus a 20 member unit is able to produce 10 MT Nutrimix per month.

All raw material except sugar is washed and roasted. The roaster is a wood fired. In areas where there are frequent electricity outages, this could be a problem as the agitator stops working and the fire continues burning. After cooling, the raw material is weighed. The pulveriser powders the raw material. After cooling, each raw material is mixed in the pre-defined proportion. Then it is sifted to separate larger pieces, and blended to ensure correct mixing.

Item	Capacity	Tentative Cost	Date Required
Pulveriser	150 kg/hr	₹ 78,350	Required for setup
Roaster	60 kg/hr	₹ 127,000	Required for setup
Sifter	100 kg/hr	₹ 68,500	Required for setup
Blender	100 kg/hr	₹ 110,000	Required for setup
Band sealer		₹ 26,000	Required for setup
Batch coding machine		₹ 3,000	Required for setup
Stainless steel trolley		₹ 35,000	Required for setup
Packing Machine		₹ 215,000	Optional
Weighing balance (large)		₹ 10,000	Required for setup
Weighing balance (small)		₹ 4,000	Required for setup
Cooling tray		₹ 29,000	Required for setup

Other fixed start-up costs

Two of the other major costs incurred by the units are building and working capital. Some units in Kerala have approached the Gram Panchayat, and received a building at subsidised rent to operate out of. Sometimes there is a delay in receiving payment from the Panchayat due to various reasons. The unit must be able to cover the operating expenses from the working capital. Raw material is typically bought as credit and this

reduces the working capital burden. Three months of working capital is assumed in this model.

Item	Tentative Cost	Date Required
Rent Advance	50,000	Optional
Uniforms	10,000	Required during setup
Furniture	200,000	Required during setup
Electrification	20,000	Required during setup
Land and building	50,00,000	Optional
Working capital	447,000	Required after setup

Enterprise Operations

Raw Materials

Wheat is subsidized by the Food Corporation of India (FCI) and is available at ₹ 5 per kg. Typical market rate would come to around ₹ 25/kg. Nutrimix is sold in ½ kg packets. The packets cost ₹ 1 each.

Due to impurities present in the raw materials and loss of moisture content, there is a loss in weight of the raw materials. This is primarily seen in Wheat, Bengal Gram and Ground Nut. Transportation cost is also incurred in purchase of raw materials.

Item	Warehouse Cost	Wastage per kg	Transport Cost	Quantity per kg	Tentative Cost per kg
Wheat	4.15	8.5%	1.5	450 g	6.13
Bengal Gram	55	4%	1.5	150 g	59
Ground Nut	85	4%	1.5	100 g	90
Soya	60	-	3	100 g	63
Sugar	31	-	1.5	200 g	32.5
Package	-	-	-	2	2.82

Variable Operating Expenses

Electricity is used for the motor in the Roaster and in the Pulveriser. Gas is sometimes used for roasting ground nut. Using wood as a fuel source is cheaper than gas.

Item	Tentative Cost per MT
Electricity	700
Gas	1100
Transportation (Outward)	1100

Fixed Operating Expenses

Wage rate is fixed currently at ₹ 30/hr and a typical working day has 8 hours. The total salary for the month is thus calculated as 15 members X ₹ 30/hr X 8 hrs X 25

days/month. The rent is an estimate for a 1000 sqft industrial space – this may vary significantly based on the location.

Item	Tentative Monthly Cost
Wages	90,000
Rent	30,000

For a monthly production of 10 MT, the tentative Gross Margin: 9%

Analysis of the financials is included in the Appendix 1.

From the break even analysis of the production, it can be seen that only at a production level of 7000 kg per month of Nutrimix, the unit is able to achieve break even.

It can also be seen that the product is viable only if the MRP is greater than 50.

Wheat is the dominant raw material in the formula, hence the profitability is largely dependent on the price of wheat. Wheat is available at subsidized rate from FCI, however in case wheat has to be procured from the open market, the break-even point is 17 /kg.

The gross margin falls with the increase in price of electricity.

ORGANIZATION OF UNIT ACTIVITIES

Specialization of activities would help in better organization of unit activities. There should be one group leader, and a vice group leader. Special roles need to be created for raw material, marketing and quality control.

Activities of group members:

Group Leader - Looks after all activities of the enterprise and will preside in the meetings.

Vice Group Leader - Looks after all financial activities and calls meetings to be held once a month.

Raw Material Procurement- Looking after the raw materials needed for the production and purchasing according to the requirements.



Quality control- The SRLM will have to get a sample tested from each batch of product from a recognised laboratory.

Marketing- To distribute the products to the customers. She is also looking if any other product produced by the unit can be sold in the market.

Organization of units:

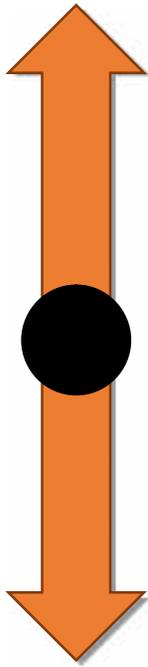
Consortium: To encourage economies of scale, to address similar issues faced by the units in procurement of raw materials and transportation, to develop a centralized distribution channel and to develop value added products and overall to prepare the units to face competition from the market the mission developed the concept of Amrutham Nutrimix consortium in 2011. All the Nutrimix units in Kerala has been clustered at district levels and confederated to consortium at the state level.

As Nutrimix units expand in the state, a consortium of units in a local geographical area can help capture economies of scale

Common Facility Centres: In common facility centres, two or more units are clustered so that one set of machinery is enough for a building and it will also help to lower down the working capital. This is also useful when there are several units in the same locality.

Quality Control: Production samples must be sent from each batch to a qualified QC lab to ensure quality before it is distributed. Currently in Kerala the samples are taken only once a month and sent to a lab in Chennai, where it takes long (close to 3 months) for the results to come. QC labs must be set up closer to the units for faster processing of samples. The financials of setting up a QC lab is given in Appendix 2.

FORWARD AND BACKWARD LINKAGES



Forward Linkages

Anganwadi/Primary schools, Community Based Organizations (CBOs) – distributing the product among the kids

ICDS - Checking the quality from the receiving end, handing over payments to the units coming from Panchayat

Panchayat – Giving payments

Backward Linkages

Consortium- Facilitating procurement, storage and payment; ensuring and maintaining quality from the suppliers end, only after sufficient scale is achieved

State mission- Training, Financial Support and Monitoring and Evaluation

CPCRI- Improve the quality of the product and to improvise the contents and the recipe of the product

Moving up the value chain

Units in Kerala have ventured beyond production of the plain Amrutham Nutrimix due to several issues including hedging against business risk, and falling profitability. Popular value added products manufactured include Amruthum Plus and Athulya Brand rice powder.

Yogasidha unit in Kayanna has further diversified its portfolio to include items such as Amrutham Milk Peda, Amrutham Crack Piece Biscuit, Amrutham Avilose Powder, Grameen Rice Powder, Grameen Semiya Mix, Ada Mix, Kumari Plus (CPCRI), Wheat powder, Ragi Powder, Baji Bonda Mavu, Jappy powder, Grameen Avil Mix, Ginger coffee, Kamba Podi.

Yogasidha unit has tried to increase the products sold to its primary customer – it now sells Amrutham Avilose Powder to pilot Anganwadis as morning snack. It has sought out new markets in the form of fairs, where it sells the popular Milk Peda and Crack piece

Biscuits. It has also tried to increase the capacity utilization of its equipment by manufacturing products requiring similar processing.

TRAINING GIVEN

The State Mission should give training to the would-be Entrepreneurs. Programmes include Pre-Orientation, General Orientation Training, Entrepreneurship Development Programme, Performance Improvement and Basic Accounting.

Before enterprise setup:

Pre Orientation- It is a basic training given by pre-trained persons about how to start an enterprise. A major purpose of the training is to identify persons with a serious intent and ready to take the risks involved in entrepreneurship. The major topics covered in the training include: the importance of Micro-Enterprises, Economic Development, Women Empowerment and information about various State Mission schemes.

General Orientation Training -This provides a general orientation about enterprises, entrepreneurship, the support provided by various agencies and departments for setting up enterprises and on the SRLM schemes. The topics covered in the Pre Orientation is covered in more depth and specificity in this training. Participants are also exposed to the existing enterprises in the state.

Entrepreneurship Development Programme- Done over three to five days by trained resource persons or specialized training agencies, covers topics required to develop basic entrepreneurial skills of the participants. The important topics covered include: Introduction to Enterprise, Characteristics of an Entrepreneur, Entrepreneurial competencies, Business Plan, Business Accounting, Marketing and Management Principles. Persons completing EDP, formed into groups in case of group enterprises, are supported for formulating their business plan that will form the basis for providing assistance.

Skill Training - Specific to the entrepreneurs of Nutrimix units, this programme trains the members on the process of making Nutrimix developed by Central Plantation Crops Research Institute (CPCRI).

Continuous trainings:

Performance Improvement Programme – Training programmes that are aimed at improving the capabilities of entrepreneurs in various areas of enterprises. These include technical, operational, marketing related and general management training programmes.

Accounting training – Entrepreneurs are to be provided training to help them improve the accounting and book-keeping of their enterprises.

ISSUES FACED: EXPERIENCE FROM KERALA

Operational

Experience in Kerala	Analysis	Further steps that can be taken
Integrity of packaging	Nutrimix is double packed. The outer packaging requires band sealing. At the time of bulk orders, the sealing is often not perfect, as dust particles get trapped within. There were reports of lizards being found in Nutrimix packages taken home. Steps currently taken: QC is focusing on identifying the packages facing this issue	- Redesign of the band sealing machine to eliminate the issue - Introduce re-sealable packs to reduce contamination at home
Absence of monitoring	A visit by the Ministry of Women and Child Development found that the nutrition supplement was not distributed in the presence of the Mother Committee or Welfare Committee (Deccan Chronicle, 2014). Steps currently taken: Monitoring of distribution by ICDS officials	
Electricity failure	Frequent power cuts affect the operations of various equipment. The motor driven roaster stops mixing while the fire continues to roast. Several other equipment also require electricity to function. Steps currently taken: None	<ul style="list-style-type: none"> • Locate the facility in an area where power interruptions are minimum • Procure power backup generators
Rising price of raw materials	In Kerala, Wheat is subsidised to the Nutrimix units. Price of other items, especially Sugar has gone up impacting the profitability of the units Steps currently taken: Procurement in bulk using Consortiums	Enter into simple long term forward contracts to minimize fluctuations
Raw material procurement	Raw materials are procured by credit from wholesalers. Fluctuating prices in the interim causes several consortiums to incur a loss. Steps currently taken: In Kerala, some districts (Kozhikode, Trivandrum) are	

	experimenting with a model whereby the consortium vets quotations from various wholesalers, and the units procure directly from the wholesaler. Whereas in other districts (Wayanad), the consortium procures the raw materials directly from the wholesaler.	
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Business

Experience in Kerala	Analysis	Further steps that can be taken
Customer satisfaction	Children do not like the taste of Nutrimix due to the excess Soya content. They get tired of the product being served in milk on a regular basis. Steps currently taken: Alternate recipes for serving Nutrimix to children and using it to make local food items	
Single customer	In Kerala, ICDS is the only customer of Nutrimix products. There is a threat of losing a large market if ICDS withdraws support. Steps currently taken: Developed value added products like Amrutham Plus, Athulya branded rice powder and Sparrow masala mixes	Identify other customers like primary schools, retail chains etc.
Large capital investment	The capital investment required for setup of a unit is high Steps currently taken: Common Facility Centres to create the required economies of scale	

Systemic

Experience in Kerala	Analysis	Further steps that can be taken
Delay in receiving orders	<p>Orders are received from the Social Welfare Society, Child Development Program Officer (CDPO). These orders are scheduled to be received on the 10th of every month. However sometimes there is a delay leading to problems in production planning</p> <p>Steps currently taken: None</p>	<p>Strengthen the linkage between the SWS and the Nutrimix units, to ensure constant visibility of the number of students registered in Anganwadis</p>
Delay in receiving payment	<p>Since the payment is made from the Government, sometimes there is a delay in receiving payment. This is due to various reasons including lack of adequate officers in the Panchayat or lack of funds.</p> <p>Steps currently taken: Set aside a contingency fund to take care of working capital. Wayanad district consortium collects a monthly payment of 50 from each member as a contingency fund.</p>	<p>Mechanism to escalate issues of non-payment.</p>

PROFILES

1. Amrutham Nutrimix Unit

Location:	Kariyad Grama Panchayat (GP), Ernakulam District
No. of Members:	15 members (started with 20 members)
No. of Units:	4 (this is a Common Facility Centre)
Started on:	March 2007
Financing:	Subsidy from Kudumbashree of Rs. 1 lakh, Bank Loan of Rs. 1.6 lakh, Technology Fund of Rs. 36,000
Monthly Production:	7500 kg (Govt. orders)
Areas served:	6 GPs in Parakadavu Block, 3 GPs in Angamali Block, Angamali Municipality
Value added products:	Amrutham Plus sold privately at Rs. 150, Athulya branded rice powder

2. Smart Plus Amrutham Nutrimix Unit

Location:	Edakkattuvayil GP, Ernakulam District
No. of Members:	15 members currently (started with 20 members)
No. of Units:	4 (this is a Common Facility Centre)
Started on:	2007
Financing:	Subsidy from Kudumbashree of Rs. 2 lakh, Bank Loan of Rs. 6.4 lakh, Own contribution by members of Rs. 40,000
Monthly Production:	12,000 kg (Govt. orders)
Areas served:	5 GPs in Mulanthuruthy Block, Cochin Municipality, Tripunithara Municipality
Value added products:	Amrutham Plus sold privately at Rs. 150

3. Yogasidha Amrutham Nutrimix Unit

Location:	Kayanna GP, Kozhikode District
No. of Members:	9 members currently (started with 10 members)
No. of Units:	1
Started on:	November 2004
Financing:	Subsidy from Kudumbashree of Rs. 1 lakh, Bank Loan of Rs. 90,000, Own contribution by members of Rs. 10,000
Monthly Production:	4000 kg (Govt. orders)
Areas served:	
Value added products:	Amrutham Plus, Amrutham Milk Peda, Amrutham Crack Piece Biscuit, Amrutham Avilose Podi, Grameen Rice Powder, Grameen Semiya Mix, Ada Mix, Kumari Plus (CPCRI), Wheat powder, Ragi Powder, Baji Bonda Mavu, Jappy powder, Grameen Avil Mix, Ginger coffee, Kamba Podi

CRITICAL SUCCESS FACTORS

1. **Economies of Scale** – A major portion of the operating cost is raw material cost (60%). Improving gross margins would require the units to control the price of

raw materials. Procuring in bulk from wholesalers and negotiating lower prices will help lower the raw material costs.

The capital investment required to start a unit is very high, which can be as high as 11 lakh for a 10MT per month unit. This might be too expensive for a single unit of 5 women. Thus if more units come together and share a common facility, it will help reduce the initial upfront investment per unit. This will also help improve the capacity utilization of the units.

2. **Securing a large and stable market:** Nutrimix units face large barriers to entry in terms of capital investment, and also large barriers to exit due to specialized equipment bought. Nutrimix units require large production quantities to break even (see Appendix). This also depends on the scale of investment. Thus it is critical for the success that the units capture a large market.

The product only has a shelf life of 3 months. Stability of the market is essential so that capital is not locked up in stocks and there is no expiry of products.

3. **Quality:** Nutrimix is supplied to pregnant mothers and children through Anganwadis. It is important to maintain strict quality standards and regular quality checks. Double packaging ensures integrity of packaging. Regular sample testing from each unit for quality check is required.

4. **Product Portfolio Diversification:** Relying on ICDS as a sole customer brings business risk to operations. Fluctuating raw material prices also impact profitability. To hedge these risks product portfolio diversification is required. Two kinds of diversification is possible – diversification into products made using the same Nutrimix formula, like snack items. The second way would be to diversify into products which require processing by the same equipment, like various powders.

CHAPTER 2: CAFÉ KUDUMBASHREE



HISTORY & BRIEF INTRODUCTION

Café Kudumbashree is an umbrella brand under which several canteen/catering units operate throughout Kerala. The tagline is '*Athithi Devo Bhava*' meaning 'The guest is like a God'. The Café Kudumbashree concept was pioneered by the Thrissur district mission in 2009-10 in order to improve the conditions of canteen/ catering units operated by Kudumbashree members.

A management and marketing group called AIFRHM (Adebha Institute for Food Research and Hospitality Management) was formed to aid the process. The team has hotel management professionals who provide both technical as well as marketing support to create Kudumbashree canteens and restaurants.

The restaurants are branded under a common brand called 'Cafe Kudumbashree' and standardized foods and services provided. Handholding support to units is given for quality, management diversification of products, new recipes, best practices in the industry, better resource utilization, catering to customer needs. They have trained more than 400 Kudumbashree catering entrepreneurs in 27 batches (Kudumbashree, Cafe Kudumbashree, 2015).

Café Kudumbashree units have a strong presence in food festivals/fairs, catering for various occasions and canteens. Novel concepts like food court and amenity centres are also coming up.

The brand represents 'quality, pure food served with care by women'. The groups receive tremendous support from the local community and the enterprise has helped many women upgrade their social status by way of revenues from the units.

PROFILES OF UNITS IN KERALA

1. Park-In Food Court, Pathanamthitta

This is a unique model of Café Kudumbashree where Kudumbashree has rented the building and premises, and different units operate out of the common facility for a fixed duration.

Of the total revenue, 10% is given to the owner of the building who takes care of electricity and water charges. The furniture and equipment belong to the owner, hence there has been negligible setup expenses.

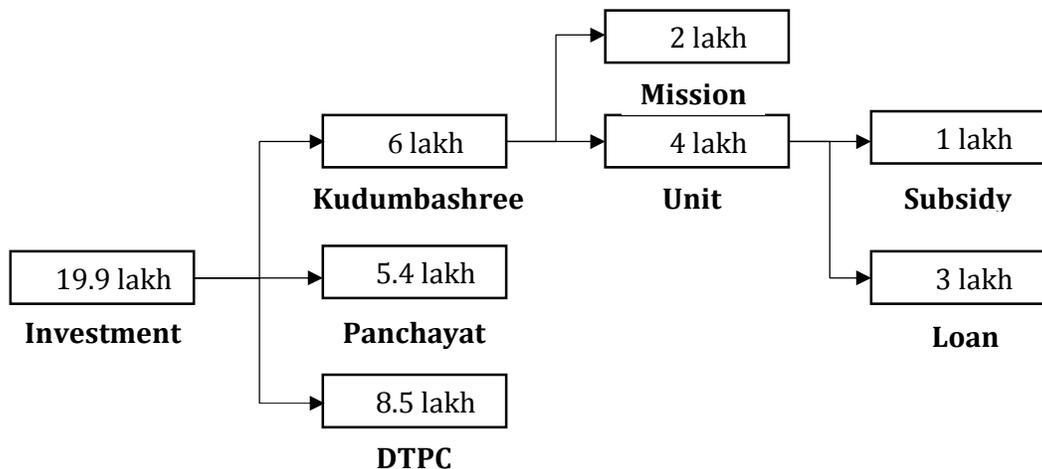
Kudumbashree further takes 11.5% of the total revenue, by which it pays salary to the service and cleaning staff, as well as takes care of common expenses.

The premises has also been used to host various fairs and to display wares of various Kudumbashree units. Currently two units, Neighbours and Anubhava, a total of 7 women is providing canteen service in the food court.

2. Mount Inn, Malayalapuzha, Pathanamthitta

This unit was started in November 2014 out of an unused Pilgrim Amenity Centre built by District Tourism Promotion Council (DTPC). A Kudumbashree unit took over the operations and converted it into a Tourist Amenity Centre.

The unit started with 9 members, now only 8 members remain. This project was as a result of a three way convergence between the District mission, Panchayat and the DTPC. The furnishing was taken care of jointly by DTPC and the Panchayat. The amenity centre has 8 rooms, 1 dormitory and a conference hall, besides the kitchen.



The members have been able to give themselves a remuneration of approximately 25-30K per month on an average monthly revenue of 1 lakh from food only and other revenue from the amenity centre.

As part of the agreement, 5% of the revenues apart from food revenue has to be given to DTPC and 5% to Kudumbashree mission till they recoup their investment of 2 lakh.

3. Naveena Canteen, Koyilandi, Kozhikode

Started on December 12, 2001 as a Soap making unit with a project cost of 2 lakh. However this lasted only for a year. On October 28, 2002, Naveena Canteen officially started operating out of a shed for a circus performance in Kozhikode. The group of 10, now reduced to 7, continued operations in this temporary shed, where its products were well accepted. The group under the leadership of Prema chechi was a popular presence in various fairs throughout the state.

On May 9, 2008, the group was granted four adjacent rooms in the municipality building right at the busy Koyilandi bus stop.

The group took a loan of 75,000 from SBT, which was paid back in just 1.5 years. Since they already had an enterprise before this, they did not receive any subsidy from Kudumbashree.

An indicative list of fairs attended by the group and the profit earned is in Appendix 3.

The members take a daily salary of 400 per day. There is also a daily wage worker employed by the group.

4. Ruchippura, Kozhikode

This enterprise was started in 2014 by 6 members. The group was allotted a corporation building next to Focus Mall – a prime location in Kozhikode.

The project cost was 5 lakh, of which the Kudumbashree subsidy was 1.75 lakh. The rest was in the form of loan. Each person gets weekly salary of 3000.

The unit now employs 14 other women on daily wages.

OPPORTUNITY IDENTIFICATION

Categories of Café Kudumbashree

Category	Investment	Revenue Stream	Profit	Risk Factors	Examples in Kerala
Fairs and Festivals	Medium	High fluctuation	Very High	<ul style="list-style-type: none"> • Dependent on frequency of fairs • Novelty of food items and competition from other units 	Ruchippura, Kozhikode (near Focus Mall)
Catering	Medium	High fluctuation	High	<ul style="list-style-type: none"> • Dependent on frequency of catering events • Proximity to local offices and institutions 	Ruchippura, Park-In, Naveena, Mount Inn
Food Court	Low	Steady stream	Low	Acceptance by the local community	Park-In Food court, Pathanamthitta
Canteen	High	Steady stream	Medium	Competition from local canteens	Naveena Canteen, Kozhikode (near Koyilandi Bus Stand)
Hotel	Very High	Mild fluctuation	High	<ul style="list-style-type: none"> • High maintenance costs • Location dependent, revenues dependent on occupancy rate 	Mount Inn, Malayalapuzha, Pathanamthitta

Customer Profiling

- It is crucial to first understand the potential customer segment, their preference and pattern of food, their outside dining behaviour etcetera in and around the proposed site for café to decide the menu etcetera of the cafe.
- Secondly, among the customers too, the kind of potential customers who would be benefitting from the services of the café as proposed need to be identified so as to decide various aspects of the cafe.

A sample from the NSS survey report no. 558 on average monthly spend by a household on served processed food is given below for key states in India

State	Monthly per capita consumption of served processed food	
	Urban	Rural
Kerala	159.67	166.94
Karnataka	186.75	80.07
Tamil Nadu	130.41	79.36
Andhra Pradesh	113.57	75.35
Maharashtra	176.89	58.65
Gujarat	72.50	40.57
Rajasthan	114.89	34.33
Bihar	33.94	33.99
Jharkhand	79.16	50.66
Assam	62.03	38.49

It is interesting to note that in Kerala the average monthly expenditure on served processed food is higher in rural areas as compared to urban areas. This points to the potential for raising the monthly consumption in the other states especially in the rural areas.

- Thirdly, the frequency of outside dining of customer segment would also be needed. For instance, a café on the highway would largely serve truck-drivers with lunch meals comprising of rice and dal for instance as compared to a café in the premises of a block office serving the government officials with tea and snacks. It would require that a survey is conducted to understand the above either through a questionnaire or through observations on a daily basis near the vicinity of the proposed site for a café.

- a. Strategic advantage of attracting customers like public office places, markets etc
- b. Accessible to public in general and also to travellers
- c. Clean and hygiene area
- d. Safe and secure work place for women.
- e. Access to basic amenities such as drinking water, drainage systems, electricity and provision for proper waste management.
- f. Sufficient space for preparation and serving.

Suggestion: Any common public gathering places such as central/state government office premises, market place etc.

Building

It is advised to avoid / reduce the high investment required for establishing the building. Hence possibility of getting any existing public buildings or private buildings in the above mentioned venues may be identified for starting the café. Wherever possible efforts to get the building free of cost in case of government buildings or on least rental rates be tried. This will have an impact in establishing the unit keeping in mind the cost factors. Even if building is not available but the location has a strategic advantage with respect to attracting customers the idea of cost effective structure may also be floated.

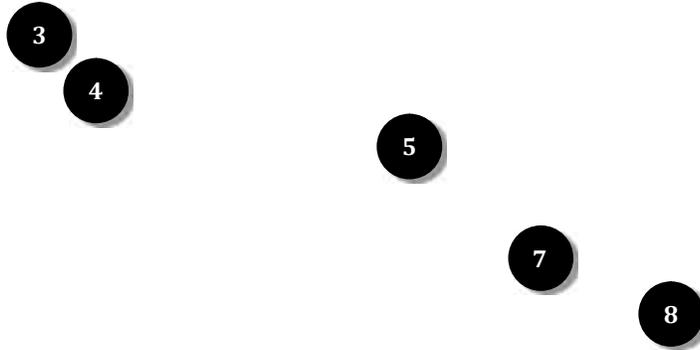
Suggestions: Any unutilized buildings constructed under IRDP/SGSY etc can be identified where space for setting up restaurant is available. Private property in good locations like market places can also be a good option if the rental rate can be controlled.

Scale

It would be necessary to identify the possibility and hence feasibility of a restaurant or a café in terms of the target customer segment and kind of tentative food items/special cuisines for the menu. This is significant keeping in mind the competition likely to be faced by existing café(s) or the like in and around the vicinity of the proposed site for the café. In addition to this, depending on the identified and suitable scale of the café, seating capacity of the café and work timings for the entrepreneurs could be thought of.

ENTREPRENEUR SELECTION PROCESS AND CAPACITY BUILDING





On an average the café units would require 4-7 members depending upon the business volume. For any business it is important that entrepreneur group has the self-motivation and entrepreneurial drive to push the business activity ahead. Further for café it is important that the entrepreneur already knows about the preparation of tasty and ethnic in a proper hygienic conditions. Following factors may be kept in mind during identification of prospective entrepreneur groups.

1. The entrepreneurs' needs to be members of Jeevika promoted SHG(s).
2. The group need to be formed based on their individual and family consent and cohesiveness of the members than by compulsion or force. Hence interested women from differentJeevikaSHG in the vicinity of the proposed sites for the cafe can be motivated to form a team for the café unit.
3. The members should not have past records of financial or otherwise misconduct or unethical conduct. Such things can affect the group functioning in future.
4. Have entrepreneurial spirit to come forward and do business.
5. Prior experience of running small dhabas/café/restaurant would add value to their entrepreneurial engagement.
6. Willing and able to undergo training programs and exposure visits.
7. Willingness to put own investment is highly preferred
8. Ability of members to work as a team will also play a good role in successfully establishing the unit.
9. Flexibility of working in the timings as necessary.

The project is circulated among all the SHGs. Those women interested in being part of the enterprise applies. All the women are given a pre-orientation and a general orientation training. They are made aware of the challenges and risks involved, as well

as success stories of the past. It is seen that as many as 30% of the original applicants drop off at this stage.

The District Mission and the training team (AIFRHM in Kerala) assesses the interest of the applicants through an interview. They are further required to attend an Entrepreneurship Development Programme, funded by the district mission. After this there is a skill training (residential or otherwise) of 8-13 days conducted by AIFRHM on various recipes, quality standards, hospitality restaurant management and interaction with customers. The broad topics covered include:

- a. Communication with customers
- b. Accounting and Book-keeping
- c. Techniques of bulk cooking and preparation of traditional cuisines of Bihar
- d. Maintenance of cleanliness and hygiene
- e. Group Behaviour
- f. Crisis Management
- g. Use of Occupational Safety gear
- h. Waste Management
- i. Technique of purchasing raw materials
- j. Business Promotion

Post this, the women are required to apply for loan from the bank to finance the project. This requires documentation like educational qualifications, past liabilities and tax payment certificate. At this stage, close to 5-10% of the initial applicants are seen to drop off.

LICENCES REQUIRED

For the establishment of the café, licensing of the same would need to be ensured. In addition to this, as a signal of credibility and faith in the customer segment, it would be highly preferred to avail the rating/grading for food standards (FSSAI) by health inspector under the local self-government to avoid any unforeseen circumstances with regard to the service provided to the cafe.

BRANDING AND MARKETING

Pricing: Café Kudumbashree units are known to be affordable but not cheap. Providing food at very low prices may result in inadequate compensation to the entrepreneurs, and a compromise on quality. It should also not be priced outrageously so as to exclude the average customer from quality food.

Pricing must be done in consultation with several stakeholders. An executive committee comprising of people from the District mission, entrepreneurs and Panchayat can help set and revise prices. Periodic external benchmarking to understand the prices of similar items in the neighbourhood is required.

Branding: For the purpose of branding, the proposed café(s) could be promoted under 'Jeevika' to establish credibility of the café(s). The promotion of the café(s) could be done through local fairs, Jeevika's network of SHG/VO/CLF, newspaper advertisements, meetings at block/district level offices of the government or BRLPS.

The three main pillars of branding could be:

- **For the health conscious:** Food served in the Café is nutritious and provides a balanced diet. It doesn't contain unnecessary quantities of unhealthy material like excess oil or sugar.
- **For safe food:** Food served in the Café is prepared from safe ingredients and prepared in a hygienic environment. No chemical taste enhancers are used.
- **For socially committed people:** By patronizing the Café, ordinary people are given a chance to empower women from the lower segments of the society facing adversities.

Social welfare: Several units have tried to extend the benefits they have gained to the society. One unit regularly contributes 3000 to Asraya fund (fund for the destitutes). Apart from this they also employ a lot of other women of limited means on daily wage, paying as much as 500 per day, plus travel allowance. They also envision enabling them to set up their own catering or restaurant service.

STANDARDIZATION VS. FLEXIBILITY

Certain aspects of operations of the Café must be standardized to offer a pleasant customer experience, however certain other aspects must be flexible to help the entrepreneur thrive against her adversity.

Quality: In one unit (Ruchippura), a squad of four members each is assigned the role of quality control on a rotation basis. They inspect the facility and are empowered to levy fines from other members for not adhering to quality standards including not being in proper uniform. The squad which has the best quality record is given a prize at the end of each rotation.

Consortium: Main ways in which a consortium of units could enhance the operations are:

- **Procurement of raw material:** Several items required for the operations of the café can be procured in bulk and at a lower cost by the consortium.
- **Smoothing of demand:** Several units may be facing excess demand for catering, which can be given to other units if there is a coordination mechanism. This is a 'coopetition' model, whereby units compete with each other but also cooperate with each other.
- **Mentoring and guidance:** Experienced units could use this as a platform to share their experiences and mentor budding units
- **To raise issues or concerns:** As a collective voice of several units, the consortium would have a larger say and influence in policy decisions which impact the working of units.

Timing: Working hours of units vary based on two factors – entrepreneur convenience and customer demand. On one extreme is Ruchippura canteen located next to Focus Mall, Kozhikode. It serves only lunch and operates from 10 AM to 4 PM. Naveena canteen, located in the Koyilandi bus stand operates from 8:30 AM to 5:00 PM and serves only breakfast and lunch.

On the other extreme are the Park-In Food Court, Kozhikode and Mount Inn hotel in Malayalapurza, Pathanamthitta which operate from 7 AM to 9 PM. At the food court, since the women operate only for a short duration and there is accommodation available for them, the timing is okay with them. On the other hand, the women at the

Mount Inn hotel say that they earned support from the family by virtue of the profits they have been generating.

INDICATIVE FINANCIALS OF SAMPLE UNITS

First, the unit members must decide which category of Café they plan to start operations with. Starting with fairs and festivals is one way to learn in a low risk environment. After adequate training and experience, the unit can start operations in food courts, where the infrastructure is already present. Once the unit has achieved adequate success, then it can move on to having a fixed investment like a canteen or a hotel.

Enterprise Setup

Investment in a canteen ideally require the following consideration:

- Pick up and Parcel area
- Dish wash area
- Pot wash area
- Butchery area
- Bulk cooking area
- Cooking area
- Dining table and chairs
- Steam cooking machines – Boiler, Rice, Curry, Idli cooker, Put cooker
- Restaurant management software
- CCTV

The indicative investment required to set up different categories of units are:

Sl. No	Description	Fairs	Catering	Food Court	Canteen	Hotel
1	Fixed Assets	232,000	232,000	7,000	257,000	257,000
2	Pre-Operative Expenses	-	-	-	4,500	4,500
3	Working Capital	31,000	31,000	31,000	31,000	31,000
4	Building Modification	-	-	-	50,000	50,000

5	Machinery	-	-	-	112,400	112,400
	Total	263,000	263,000	38,000	454,900	454,900

Indicative Financials

(*this is based on investment in a Kerala based canteen)

Fixed Assets

Sl. No	Description	Nos	Cost	Fairs	Catering	Food Court	Canteen	Hotel
1	Grinder	1	40,000	Y	Y	N	Y	Y
2	Fridge	1	15,000	Y	Y	N	Y	Y
3	Mixie	1	5,000	Y	Y	N	Y	Y
4	Gas	2	20,000	Y	Y	N	Y	Y
5	Gas Cylinder	4	20,000	Y	Y	N	Y	Y
6	Vessels (Cooking pots, plates, glass, etc)		100,000	Y	Y	N	Y	Y
7	Canopy	1	25,000	N	N	N	Y	Y
8	Water Heater	1	15,000	Y	Y	N	Y	Y
9	Dosa Stone	1	10,000	Y	Y	N	Y	Y
10	Uniform		7,000	Y	Y	Y	Y	Y
	Total		257,000					

Building Modification

Sl. No	Description	Cost	Fairs	Catering	Food Court	Canteen	Hotel
1	Building Modification	50,000	N	N	N	Y	Y

Working Capital

Sl. No	Description	Cost
1	Rice	7,500
2	Coconut Oil	2,000
3	Masala	2,000
4	Vegetables	5,000

5	Coconut	500
6	Fish	2,000
7	Meat	2,000
8	Wood	5,000
9	Others	5,000
	Total	31,000

Working capital is required for all categories.

Equipment

Sl. No	Description	Nos	Cost	Fairs	Catering	Food Court	Canteen	Hotel
1	Table	8	80,000	N	N	N	Y	Y
2	Chairs	32	22,400	N	N	N	Y	Y
3	Cabinet	1	10,000	N	N	N	Y	Y
	Total		112,400					

Enterprise Operations - Food Court

Monthly Revenues

Month	Revenue	Groups	Members
November	743,000	Anugraha, Krupa, Sneha, Al-Amin, Home Café	15
December	764,000	Anugraha, Krupa, Sneha, Al-Amin, Home Café	15
January	825,000	Anugraha, Krupa, Sneha, Al-Amin, Home Café	15
February	761,000	Anugraha, Krupa, Sneha, Home Café	12
March	654,000	Anugraha, Krupa, Sneha, Home Café	12
April	532,000	Anugraha, Krupa, Sneha, Home Café	12
May		Neighbours, Anubhava	7
Average Monthly Revenue		713,167	

Description	Nos	Monthly Salary
Managing Staff	2	30,000
Cleaning	2	18,000
Serving	4	39,000
Billing	1	12,000
Total		99,000

Other Expenses*		8,000
Total expenses to be met by KS		107,000

*Other Expenses include Tissue Paper, Soap, Hand wash, Petrol, Newspaper, Billing machine rolls, Garbage bag, Municipality garbage disposal charges, Aluminium Foil, Cloth Duster, Uniform, Cap, Tooth Pick, Saunf

Average Daily Customers 350-400

Rent to Building Owner 71,317

Contribution to KS to meet expenses 82,014

Excess (Loss) to KS -24,986

Average revenue to the units 559,836

Average no of members 13.5

Tentative Operating Cost Structure

Raw Materials 69% 387,047

Electricity 0.1% 829

Wood 2% 12,579

Gas 1% 6,497

Sub Total 406,952

Profit before salaries 152,884

Monthly salary to each member 11,325

Enterprise Operations – Canteen

Tentative Annual Operating Expenses for a Kerala based canteen

Sl. No	Description	Cost
1	Raw Material	2,800,000
2	Salaries	650,000
3	Electricity	6,000

4	Rent	54,500
5	Wood	91,000
6	Gas	47,000
7	Travel	2,000
8	Wages	4,500
9	Taxes	7,000
	Total	3,662,000

Revenue

Sl. No	Description	Revenue
1	Canteen	3,500,000
2	Fairs	300,000
3	Catering	250,000
	Total	4,050,000

Profit = **388,000** **(9.6%)**

ISSUES FACED

Experience in Kerala	Analysis	Further steps that can be taken
Poor perception of restaurant food quality	<p>Local community is sceptical of the quality of food served in restaurants and suspect restaurant owners add harmful taste enhancing chemicals, or that cooking is not done in hygienic conditions.</p> <p>Steps taken: Café Kudumbashree has repeatedly reinforced the quality and purity of the food it serves, and people are becoming aware of it due to the presence in fairs.</p>	Centralized marketing and branding initiatives to focus on quality and purity.
No standardization across restaurants	<p>There are a lot of canteens and catering units run by Kudumbashree groups with no standardization across groups.</p> <p>Steps taken: Some units have been branded using the Café Kudumbashree branding</p>	Bring all the Kudumbashree run catering units under a common branding, and ensure standardization across units in terms of quality.
Lack of coordination across units	<p>All the Kudumbashree canteen and catering units run independent of each other, with no linkage with each other</p> <p>Steps taken: None</p>	Establish a consortium of units to help coordinate activities, procure raw materials and distribute demand for catering evenly
Some units face lack of success in fairs	<p>Some units have stopped attending fairs as their profits have constantly fallen (see Appendix 3)</p> <p>Steps taken: Units have learnt to bring novel items to the fairs. Recently concluded Jackfruit festival in Kerala had a large variety of innovative</p>	

	preparations out of jackfruit.	
Lack of support from the family	Often women have to work long hours neglecting their household duties. Steps taken: None, as the enterprise turns profitable, the family support gets slowly built up	
Opposition from local businesses	Kudumbashree canteens are known for their quality food at an affordable price. This antagonizes a lot of local restaurant businesses. Steps taken: Units have tremendous support from the local public as a social welfare means, as well as the quality of food served. Thus no steps have been required to be taken.	

CRITICAL SUCCESS FACTORS

1. **Strict adherence to quality and purity:** Bringing all the units under an umbrella brand has its dangers. Compromise on quality or purity at one unit will impact all other units. Strict protocols are required to ensure quality and purity of the prepared food.
2. **Customer service:** Several women entrepreneurs may be unaware of the customer service aspect of running a restaurant. The nuances of customer service is essential to succeed in the business.
3. **Training:** Though the women entrepreneurs may already know the traditional local cuisines, she needs to expand the menu to increase her business. Training should cover aspects of menu as well as customer service.
4. **Continuous Monitoring:** External personnel from the District mission or the training teams must be entrusted with regular monitoring of the units, to ensure adherence to the laid down standards.

CHAPTER 3: HOMESHOP

HISTORY & BRIEF INTRODUCTION

Community marketing is one of the major initiatives taken by the Kudumbashree mission in 2009-10 under the brand name “Home shop”. It is a process of marketing products made by Kudumbashree beneficiaries to the local community through the support of Community Based Organizations (CBOs) in the local community. The distribution system or the marketing groups are managed by a professional management team.

A pilot project of the model was carried out in Kodakara, Thrissur, under the leadership of the Block Panchayat in 2007. The programme began with four products but its inventory soon expanded to 10 products, with a marketing network of 500 women. The success of the model helped the mission to extend the programme to all the State’s districts. The model now has a strong network of more than 800 women (400 entrepreneurs, 50 procurement and marketing groups), with 65 micro enterprises with a monthly turnover of Rs. 50 lakh.

In Thrissur, the community marketing network took on a new form. Early experiments of having a young group of market agents who would procure and sell exclusively within the Kudumbashree network, through the CDS changed gear and started dealing with local producers facilitated by the marketing group to come out with household articles like soap powder, detergents etc., which were given a local brand name and distributed through a ‘home shop’ network of part time distributors (Kudumbashree, 2015).

DIRECT SELLING IN INDIA

Direct selling is defined by the Indian Direct Sellers Association (IDSA) as “The marketing of consumer products/services directly to the consumers generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration of the products by a direct seller.”

The number of direct sellers is estimated to be about 4 million in India in 2010-11. They generated a total revenue of 1149 mn USD, accounting for 35.8% of non-store retail

sales, 4.41% of organized retail sales and 0.07% of the GDP (Bibek Debroy, FICCI Indicus Analytics, 2013).

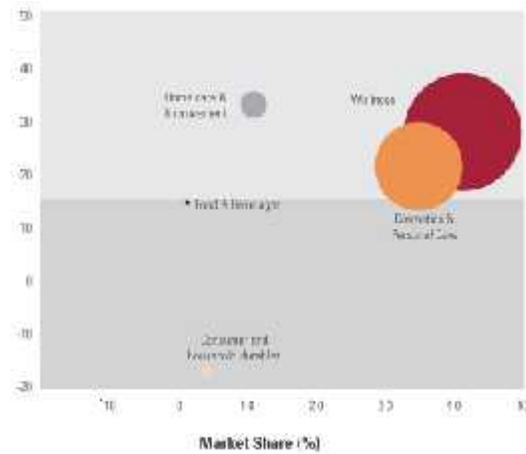
Region-wise direct selling market

- **Southern Region:** 30% share, 14% growth. The region holds the highest share for the direct selling industry. However, its share has fallen in the recent times with higher growth in relatively untapped regions, and a shift in industry focus given the un-favourable business environment in recent times. Bangalore, Chennai and Hyderabad are the largest direct selling markets in South India
- **Northern Region:** 27% share, 33% growth. The northern region is the second largest region by market size and has grown at the fastest rate in 2012-13. Allahabad, Ludhiana and Delhi generates the maximum sales in the region. Other cities include Lucknow, Chandigarh and Kanpur.
- **Eastern Region:** 17% share, 19% growth. The largest selling regions are Patna and Kolkata, followed by Ranchi, Bhubaneswar and Jamshedpur.
- **Western Region:** 15% share, 9% growth. Key cities are Mumbai and Pune followed by Ahmedabad, Surat and Jaipur.
- **North Eastern Region:** 11% share, 27% growth. Key cities are Itanagar, Guwahati and Shillong. (KPMG, FICCI, 2014)

Appendix 6 shows the state-wise potential direct selling market and the self-employment generation potential projection for 2025.

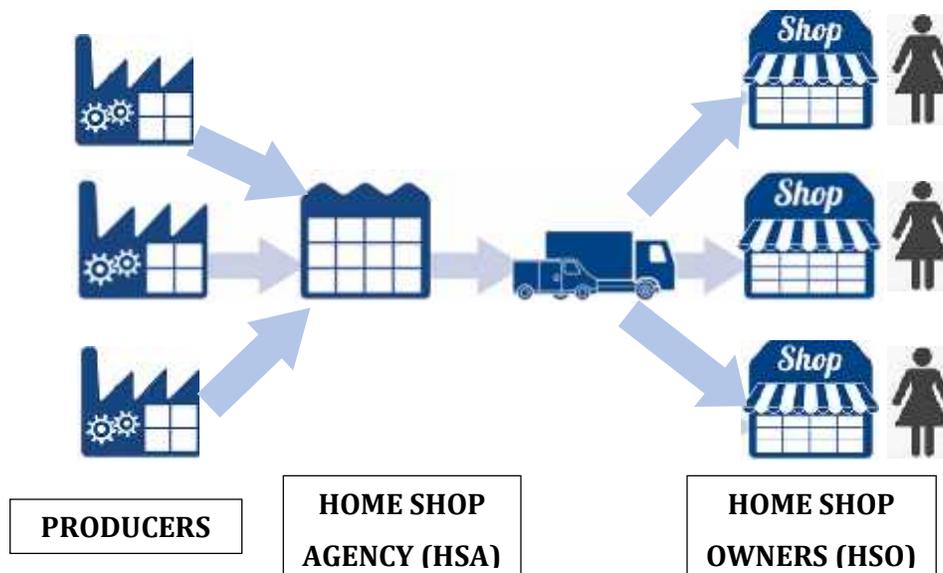
Customer Preferences

Health and wellness is the biggest category capturing 47% share in the direct selling market followed by wellness products and household goods.



X-Axis represents market share for 2012-13, Y-Axis represents growth % over a 3 year period from 2010-11 to 2012-13. Size of the bubble represents market share.

STRUCTURE OF HOME SHOP



The managers of the home shop – Home Shop Owners (HSO) are women of the network who spare a couple of shelves in their home to stock these local products, and spend a couple of hours a day meeting SHG members and individuals to sell their ware. It is a part time, stress free, supplementary income providing job for the home shop distributors.

For the producers, the head ache of marketing has been smoothly tied over, and fairly steady returns are coming in, and for the marketing cum procurement group, it is a socially rewarding, economically viable service enterprise.

The agency in the middle of the HSOs and Producers is the Home Shop Agency (HSA). It is essentially a marketing and distribution agency. It procures items from various producer units and distributes them to various HSOs. The agency also facilitates the collections from the HSO back to the Producers.

The entire chain from Producers to the Home Shop Owners managed by a single agency is a Home Shop Unit (HSU).

HSO SELECTION AND TRAINING GIVEN

Selection: Through the CBO organization, application forms are distributed to each SHG to invite applications from the affiliated women. An interview board comprising of District Mission representative, CBO representative and a Home Shop agency interviews each applicant and selects suitable candidates.

Awareness: Like every programmes the support and co-ordination of Local Self Governments (LSGs) are essential and therefore to familiarize the concept of Home shop among the LSGs a two day State level workshop was conducted at Kerala Institute of Local Administration (KILA), Thrissur. The basic concepts and the implementation procedure got developed and now a common guideline for Community Marketing Project has been developed.

Training: In some areas, the Home Shop agency takes over the role of providing training to the producer as well as the Home Shop Owner. In Kozhikode the agency provides skill training for some products to the producer units. Besides, they are also given training in packaging. The Home Shop agency also provides training to the HSOs to enable them to sell to the households.

The selected candidates are given a general orientation training followed by an intensive course introducing them to the technical aspects of operating as an HSO. The intensive course covers aspects like Marketing management, Direct marketing and Personality development.

After completion of training, the HSOs are given a bag, ID card and a uniform.

PRODUCT SELECTION AND PRICING

An executive committee of representatives from the Management Team, HSO, District Mission and the Panchayat. The executive committee meets every quarter and makes decisions regarding new product introduction and pricing of existing products.

Objective criteria must be laid down for new product introduction:

Producer Criteria	Distributor Criteria	Customer Criteria
Quality of the product inspected over a duration of time	Product can be safely transported over long duration	Adequate demand for the product in the geographical area
Capability for bulk production	Product has reasonable expiry duration	Pricing is affordable to the target customer segment
Registered as an enterprise with the SHG	Packaging is adequate	
Audited financials showing the health of the enterprise (operating cash flows, debt service coverage ratio, cost structure)	Product is not unnecessarily bulky or heavy	

DISTRIBUTION AND COLLECTION

Warehouse Network: Home Shop agencies start with one warehouse, and gradually scale up to more warehouses throughout the district as the business volume increases, and transportation cost outweighs the storage cost. The Home Shop agency in Ernakulam has only one warehouse whereas the Home Shop agency in Kozhikode has 7 warehouses including a mother warehouse in Koyilandi.

The producer units supply their products to the mother warehouse, from where the agency vehicles take the products to various smaller warehouses throughout the district based on the demand. The warehouse network of Kozhikode district is given in Appendix 5. Product distribution takes place once a month.

Marketing Coordinator: The distribution is divided into 7 zones based on the warehouse location. The role of a marketing facilitator is to understand the market, assess the demand, motivate the HSOs, ensure adequate supply and collections in the respective zone. In Kozhikode, the Marketing Coordinators are paid a monthly salary of 4500 plus allowances.

Final Leg of Distribution: HSOs are assigned a ward (this can vary based on geographical extent). They carry the products in a bag and visits homes of neighbours on a daily basis. Based on HSO interest, they may visit a house once every week. There are some HSOs who work all seven days of the week.

Collection: HSOs often sell their products on partial payment or credit. Since they visit one house once a week, they make partial collections in every subsequent visit. The HSOs deposit the collections twice every month with the local Panchayat office. HSO has to submit complete payment for all goods sold that month, even if she has received only part payment.

The marketing coordinator collects the payment from the Panchayat office, issues a bill and deposits the same with the main office. The amount is then made to the producer as they come to deliver the next batch of products to the mother warehouse.

Review Meeting: Review meetings help in assessing the performance in the past month. Also this is when the HSO salaries are given. Motivation classes and interaction with producers are also a part of the review meetings.

Risks to be borne by various members of the supply chain:

Collection Risk	Home Shop Owner
Damages during transportation	Home Shop agency
Expired products	Producer
Unsold inventory	Producer

FINANCIAL ESTIMATES OF THE HOME SHOP UNITS

The tentative parameters of a Home Shop Unit are the following:

Number of producers	8
Average Margin for HSA	10%
Number of active HSOs	40
Average monthly sale of HSOs	10,000
Average margin of HSO	25%

Enterprise Setup – Home Shop Agency

Item	Required at Start up?	Tentative Cost
Land and building	Optional	3,000,000
Rent advance	Optional	30,000
Furniture	Required	15,000
Electrification	Required	10,000
Computer	Optional	32,000
Storage Rack	Required	2,500
Sealing Machine	Required	2,500
Sub Total		62,000

Enterprise Operations – Home Shop Agency

Item	Tentative Monthly Cost	
Rent	15,000	
Salaries	5,000	Per member
Transportation		
Inward	88	Per producer
Outward	62	Per HSO
Electricity	110	
Sub Total	47,610	

Income Statement – Home Shop Agency

Monthly Revenue:	40,000
Operating Expenses:	33,293
Gross Profit:	6707 (17%)

(This is for an HSA which serves 40 HSOs a month each with monthly sales of 10,000)

HSO WELFARE

HSOs are foot soldiers in the last leg of distribution. They face severe hardships and come from very poor backgrounds. Some agencies in Kerala have elaborate social welfare schemes

to take care of them, to reduce attrition and keep them motivated. Some social welfare schemes are common for all HSOs, whereas some are only for those HSOs who meet the monthly revenue target (₹ 10,000).

Common Programmes:

- Treatment assistance
- Bag, ID card for free, special gifts during festive occasion
- Life insurance
- Subsidy by the mission on loan to purchase table and cupboard at home

Special programmes for HSOs who achieve target:

- 1% of monthly sales is deposited in the bank in the name of the HSO, for withdrawal when they decide to discontinue as an HSO
- Scholarship for students of HSO
- Gifts for the top three achievers
- Pension scheme

INDIVIDUAL VS. GROUP ENTERPRISE

Traditionally Home Shop Owners operated as an individual enterprise, since one HSO is given charge of one geographical area, based on distance to be covered. Having multiple HSOs in the same geographical area is not feasible if the revenues earned by the HSO goes down below the current levels which is barely sustainable.

A group enterprise could be thought of, where individual members are still in charge of their own geographical area – sales and collections, but the group as a whole could invest in a two-wheeler loan. The group could start with just one two-wheeler, where the EMI is affordable, and use it on a shared basis till the revenues rise just enough to justify the next purchase. Use of a two-wheeler would improve frequency of visits and efficiency of collections. The group enterprise also is in line with the Kudumbashree philosophy of sharing the responsibility and sharing the rewards.

ISSUES FACED: EXPERIENCE FROM KERALA

Marketing Agency

Experience in Kerala	Analysis	Further steps that can be taken
Falling demand for the products	<p>There could be two reasons for this:</p> <ul style="list-style-type: none"> - Lack of motivation of HSO to generate demand - Lack of customer awareness <p>Steps taken: Motivational classes and face to face interaction with the producers at review meetings</p>	Internal marketing activity to create a pull from the customers within the CBO network
Falling quality of products	<p>Producers unable to maintain good quality when they receive bulk orders</p> <p>Steps taken: None</p>	Proper vetting of producers for their production capability before selection
High attrition rate of HSOs	<p>HSOs drop off in some areas due low profits or low sustainability</p> <p>Steps taken: Social welfare schemes, Celebration of festivals, Gifts</p>	

Home Shop Owner

Experience in Kerala	Analysis	Further steps that can be taken
Health issues	<p>HSOs have to carry the products to deliver to the neighbourhood. As a result, they are developing health issues like shoulder and back pains.</p> <p>Steps taken: Plan to introduce group health insurance clubbing 100 HomeShop owners. There is also a plan to introduce 2 wheeler loans.</p>	

Low growth prospects	Average profit per month for an HSO is only 2000-2500. This is insufficient to cover the EMI for investment in a two wheeler which would help them scale up Steps taken: None	Leasing program or deferred EMI for two-wheeler loans
Collection issue	Most customers buy products on partial payment or credit. HSO has to deposit the full amount irrespective of collection twice a month with the Panchayat office Steps taken: None	Home Shop Agency could extend a line of credit to the HSOs

Producer

Experience in Kerala	Analysis	Further steps that can be taken
Inefficient supply	Producers have to supply their products to each individual warehouse in the district Steps taken: None	Home Shop Agency can use economies of scale to transport multiple products from a mother warehouse to smaller warehouses

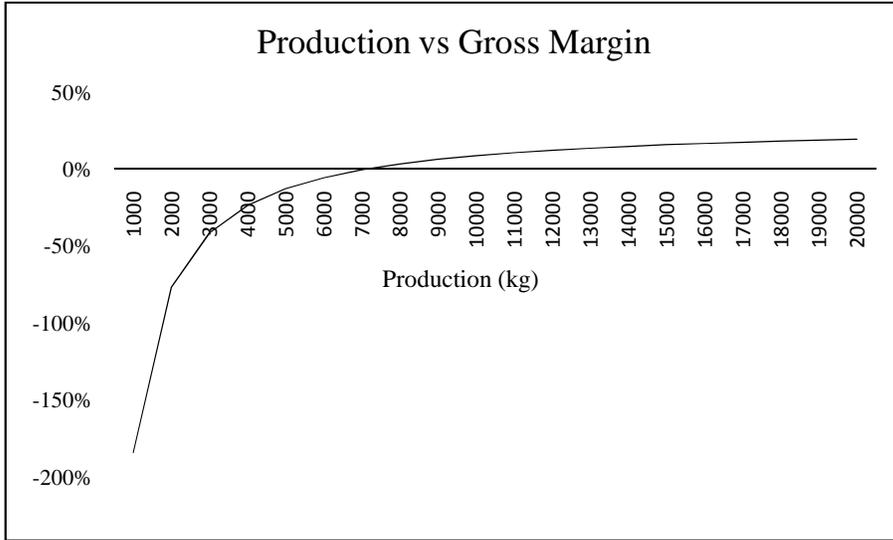
CRITICAL SUCCESS FACTORS

1. **Quality**—Consistent quality across all products is critical for the success. Even if a customer has a bad experience with just one product, he/she will be reluctant to try the product again. Word of mouth spreads very quickly and the business can be lost easily.
2. **Packaging** – Packaging is an important part of sales, and attractive packaging is helpful for sale. More than attractive packaging, quality of packaging is important to avoid damages and contamination of products.
3. **Information flow** – Since there are several players in the supply chain, traditional concept of information flow becomes important to manage aspects like production planning, availability of products and inventory management.

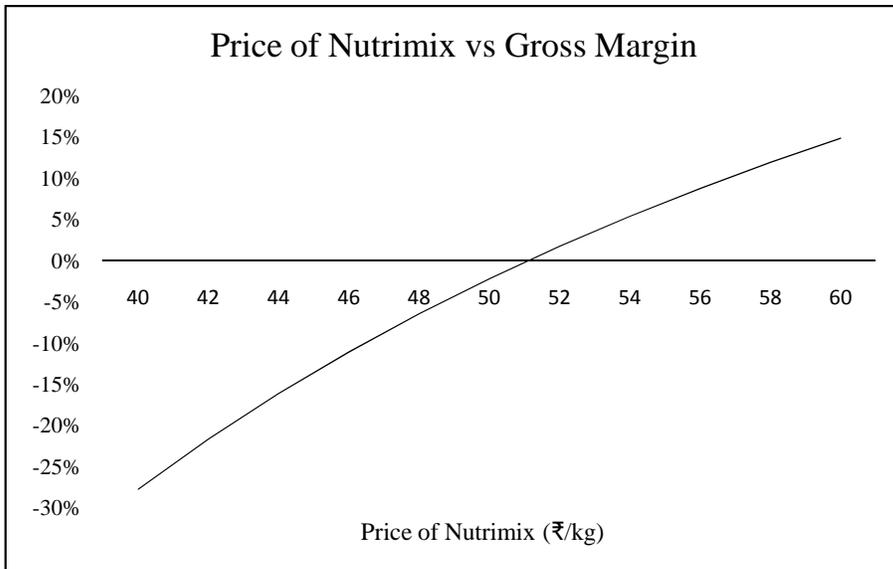
APPENDIX

APPENDIX 1: FINANCIAL ANALYSIS OF NUTRIMIX UNITS

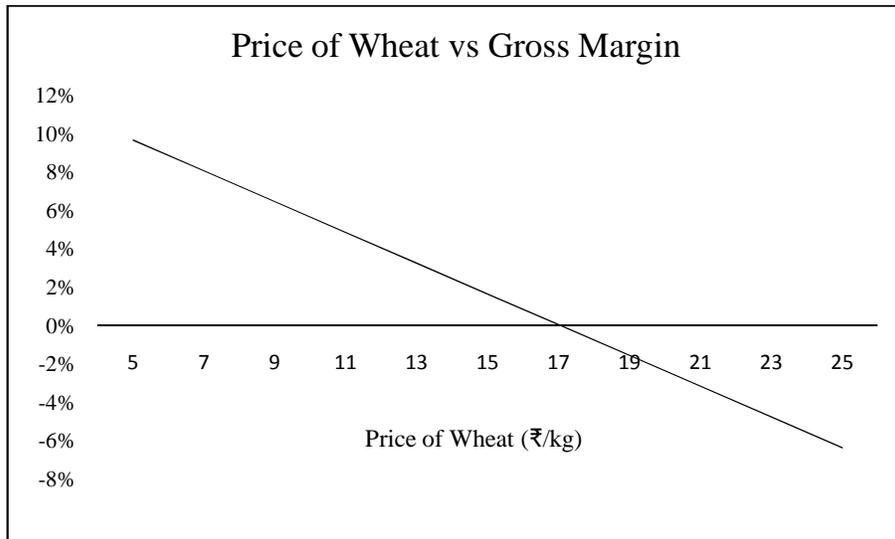
1. Production of Nutrimix vs. Gross Margin



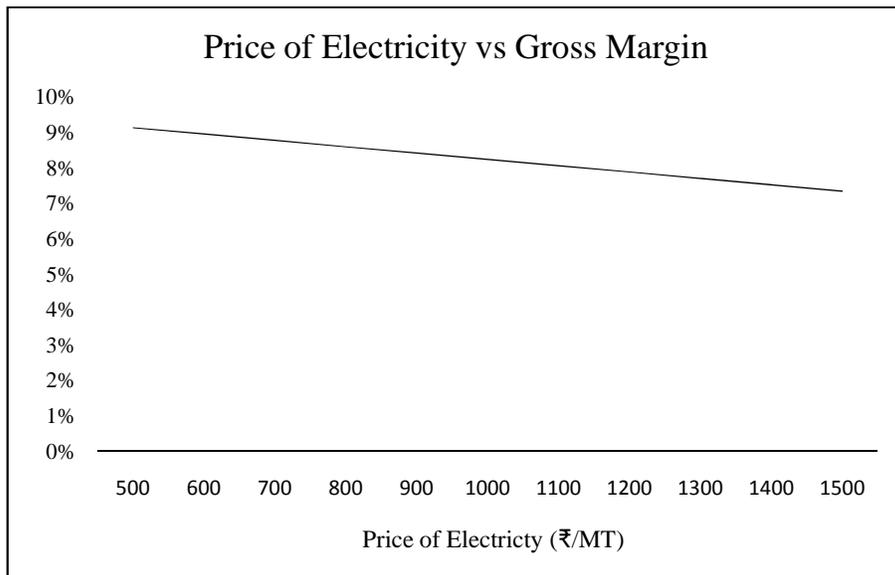
2. Price of Nutrimix vs. Gross Margin



3. Price of Wheat vs. Gross Margin



4. Price of Electricity vs. Gross Margin



APPENDIX 2: PROJECT COST FOR QUALITY LAB

A-Instruments & Others

Sl.No.	Item	Rate	Quantity	Amount
1	Hot air Oven	12,000.00	1	12,000.00
2	Weighing Balance	6,000.00	1	6,000.00
3	Desiccator	1,500.00	1	1,500.00
4	Moister Dishes	500.00	5set	2,500.00
5	Muffle furnace	20,200.00	1	20,200.00
6	Wat'sman filter paper	100.00	50nos	5,000.00
7	Test Tubes	20.00	5	100.00
8	Stainless steel Vessels	3,000.00	1set	3,000.00
9	Air Conditioner	25,000.00	1	25,000.00
10	Wash Basin	750.00	1	750.00
Total				76,050.00

B-Furniture

1	Working Table	12,000.00	1	12,000.00
2	Chair	1,200.00	1	1,200.00
3	Almirah	6,000.00	1	6,000.00
4	Steel Rack	8,000.00	2set	16,000.00
Total				35,200.00

**Project Developed by Satyan Kayanna (Yogasidha)*

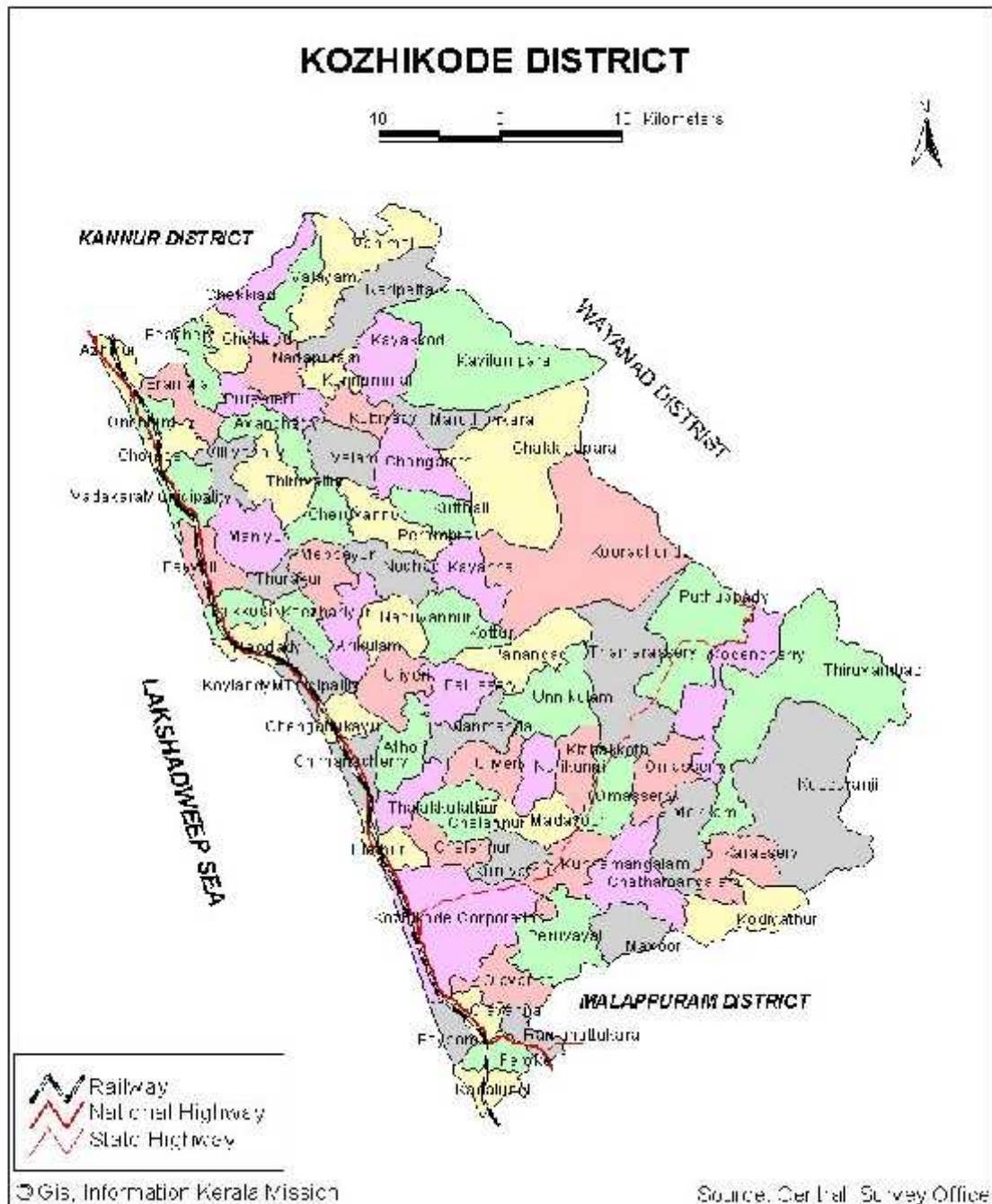
APPENDIX 3: LIST OF FAIRS ATTENDED, NAVEENA CANTEEN

Sl. No	Place	No. of Days	No. of Members	Earnings
1	Chandrasekharan Stadium, Trivandrum	13 days	4 members	105,000 Profit 205,000 Salary
2	Puthirikandam, Trivandrum	14 days	4 members	20,000 Profit 60,000 Salary
3	Kottayam	15 days	4 members	24,000 Profit 68,000 Salary
4	Trivandrum - Kanakakkunnu (1)	15 days	4 members	15,000 Total
5	Trivandrum - Kanakakkunnu (2)	15 days	4 members	20,000 Total
6	Thekkankollam	12 days	3 members	9000 Total
7	Ernakulam	13 days	4 members	19,000 Total

APPENDIX 4: PRICE LIST OF ITEMS SOLD IN HOME SHOP (KOZHIKODE)

ക്രമ നമ്പർ	വില	സ്തംഭം
1	35	ബാർബർട്ട് 500 ഗ്രാം
2	30	ബാർബർട്ട് 200 ഗ്രാം
3	10	ബാർബർട്ട് 50 ഗ്രാം
4	23	ബാർബർട്ട് 100 ഗ്രാം
5	10	ബാർബർട്ട്
6	20	ബാർബർട്ട്
7	10	ബാർബർട്ട്
8	25	ബാർബർട്ട്
9	10	ബാർബർട്ട്
10	25	ബാർബർട്ട്
11	25	ബാർബർട്ട്
12	15	ബാർബർട്ട്
13	20	ബാർബർട്ട്
14	25	ബാർബർട്ട്
15	20	ബാർബർട്ട്
16	25	ബാർബർട്ട്
17	25	ബാർബർട്ട്
18	25	ബാർബർട്ട്
19	25	ബാർബർട്ട്
20	25	ബാർബർട്ട്
21	25	ബാർബർട്ട്
22	25	ബാർബർട്ട്
23	25	ബാർബർട്ട്
24	25	ബാർബർട്ട്
25	25	ബാർബർട്ട്
26	25	ബാർബർട്ട്
27	25	ബാർബർട്ട്
28	25	ബാർബർട്ട്
29	25	ബാർബർട്ട്
30	100	ബാർബർട്ട്
31	55	ബാർബർട്ട്
32	10	ബാർബർട്ട്
33	125	ബാർബർട്ട്
34	14	ബാർബർട്ട്
35	14	ബാർബർട്ട്
36	15	ബാർബർട്ട്
37	70	ബാർബർട്ട്
38	60	ബാർബർട്ട്
39	20	ബാർബർട്ട്
40	12	ബാർബർട്ട്
41	29	ബാർബർട്ട്
42	15	ബാർബർട്ട്
43	60	ബാർബർട്ട്
44	200	ബാർബർട്ട്
45	34	ബാർബർട്ട്
46	17	ബാർബർട്ട്
47	20	ബാർബർട്ട്
48	100	ബാർബർട്ട്
49	20	ബാർബർട്ട്
50	60	ബാർബർട്ട്
51	20	ബാർബർട്ട്
52	15	ബാർബർട്ട്

APPENDIX 5: LOCATION OF HOME SHOP WAREHOUSES



APPENDIX 6: DIRECT SELLING PROJECTION 2025

State	Capital	Key Cities	Population (mn)	Direct Selling Potential in 2025	Self-Employment Generation Potential in 2025
Tamil Nadu	Chennai	Coimbatore, Madurai, Tiruchirapalli, Salem	72	75-80 billion	2.0-2.2 million
Uttar Pradesh	Lucknow	Agra, Allahabad, Kanpur, Varanasi, Meerut	200	70-75 billion	1.9-2.0 million
Maharashtra	Mumbai	Pune, Nashik, Kohlapur, Nagpur, Thane	110	65-70 billion	1.8-1.9 million
Gujarat	Ahmedabad	Ahmedabad, Vadodara, Jamnagar, Surat, Rajkot	60	40-45 billion	1.2-1.3 million
Andhra Pradesh	Hyderabad	Tirupati, Vijayawada, Vishakapatnam, Nagarjuna Sagar	85	45-50 billion	1.2-1.3 million
Rajasthan	Jaipur	Ajmer, Jaisalmer, Udaipur, Bikaner, Jodhpur	70	45-50 billion	1.2-1.3 million
Madhya Pradesh	Bhopal	Indore, Jabalpur, Gwalior, Ujjain, Ratlam	70	45-50 billion	1.2-1.3 million
Karnataka	Bangalore	Bangalore, Bellary, Mysore, Mangalore, Belgaum, Hubli	60	35-40 billion	0.9-1.0 million
Assam	Dispur	Guwahati, Silchar, Dibrugarh, Digboi, Jorhat	30	5-10 billion	0.10-0.15 million