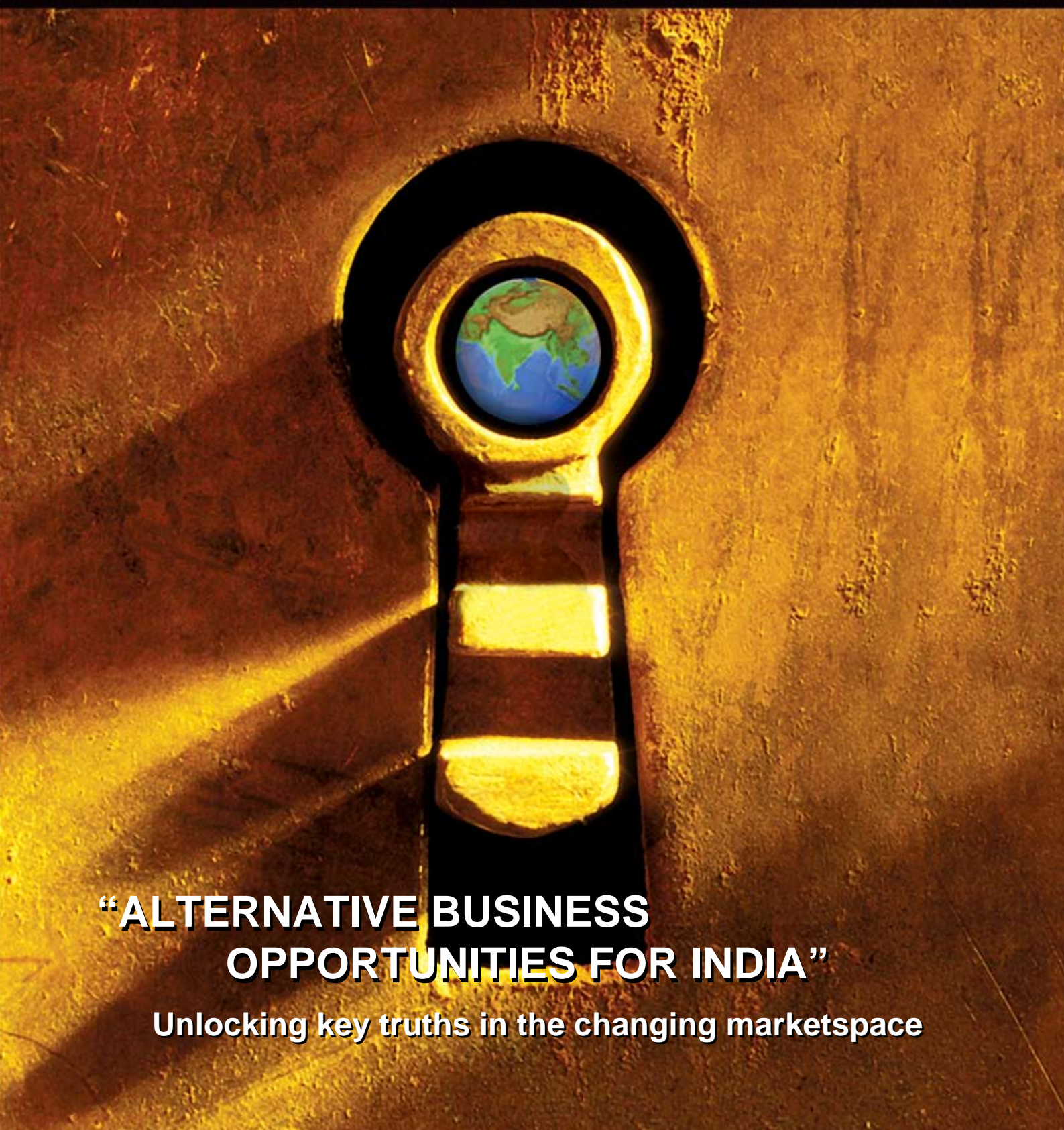


Issue 7, Dec 2008

GRAVITY

The Great Lakes Magazine



**“ALTERNATIVE BUSINESS
OPPORTUNITIES FOR INDIA”**

Unlocking key truths in the changing marketplace

Acknowledgements

Though nowhere at its traditional location, we feel that we need to start off with acknowledging all those who made this magazine a reality. Without their support, we would not have made it this far.

The Gravity Team would like to express their sincere thanks to the following people for all their encouragement and support:

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Gravity Team of JayCees (PGPM Class of 2007-2008)

The Champions (PGPM class of 2008-2009)

Optima Team

We would also like to thank all the contributors to this edition, without whom this initiative would not have been possible.



The Spirit of Gravity

Gravity is ubiquitous and has been in existence forever. However, it took Newton's ingenuity 'to ask why' resulting in the discovery of gravity. On hindsight, the discovery looks very simple and 'common sensical', yet for many centuries in the past, no one had looked at it the way Newton did. The managers from Great Lakes emulate this Newtonian attitude. Great Lakers are a bunch of individuals who have learnt to look at things differently, to ask why and to innovate, continuously! A manifestation of this Great Lakes culture is 'Gravity'.

Editorial

Dear Readers,

Welcome to the seventh edition of the Gravity!

After the successful launch of the Swim magazine we are back with this new edition of Gravity. While deciding upon the theme for the current edition we struck upon many ideas but settled for the 'Alternative Business Opportunities for India'.

India's economy has been one of the stars of global economies in recent years, growing 9.2% in 2006 and 9.6% in 2007. Growth had been supported by market reforms, huge inflows of FDI, rising foreign exchange reserves, both an IT and real estate boom, and a flourishing capital market. The growth so far has been driven by our traditionally strong sectors. To become a leading economy, it becomes imperative to seek out for new sectors which have not yet been exploited and have great potential in them.

Team Gravity, therefore wanted to explore the uncharted waters, as this is where opportunity lies for young entrepreneurs and aspiring minds. These new businesses have the potential to attract some of the best minds in the country.

This new edition tries to cover a few of such areas where through wisdom and vision, success for the individual, success for the society and success for the country could come which will benefit all of us.

A glimpse into some of these businesses might help some of us take a call or become more aware of the future business world.

May peace and happiness be with all of us.

As always we always look forward to your comments and feedback at gravity@greatlakes.edu.in

Happy reading!

Team Gravity

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Founder and Honorary Dean's message

***“Nothing is permanent; Except the change
Change is a necessary phenomenon In an active system
Changelessness is deadly***

***Change is continuous
Steady and driven by a cause
Nature and extent of change
Depend on Nature and extent of cause***

- *Bashyam Narayanan*

“Two roads diverged in a wood and I - I took the one less traveled by, and that has made all the difference”

- *Robert Frost*

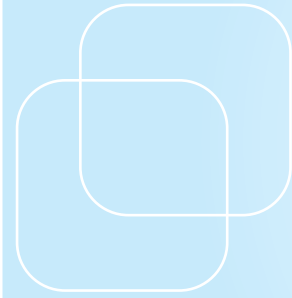
Wise words, same message. The world has seen unprecedented changes over the past fifty years in various facets of politics, economy and technology. The time now belongs to the nimble and innovative. Indian economy has come a long way since Independence but has still a long way to go before it comes of age and ranks among the leading economies of the world. While global dynamics are getting tougher to understand, we are also forced to put up with mindless acts of terror causing immense destruction to life and property, in the name of ‘freedom’. I am referring to the recent Mumbai violence strikes and I salute the courage of those men and women who lost their lives in the process and offer my prayers for the bereaved families. It is ironic, however, that the world still has to move on. We still have a goal to surpass, a mission to attain and a vision to live up to. I firmly believe that knowledge alone can alleviate darkness and spread peace and harmony and in my own small way I am making my contribution towards Great Lakes Institute of Management in creating leaders who will be responsible and responsive citizens of the world.

L'attitude preview

L'attitude 13o 05', our B-school fest, represents a melting-pot of the smartest minds from top Business schools, corporate executives, and some of the renowned leaders who play a major role in the development of this country. The ‘CEO Conclave’ is one of the prime attractions, which provides a unique platform for networking and mind sharing with CEOs and management gurus. The ‘Power Talk’ session on the 20th of December features prominent business leaders viz. Mr. R. Seshasayee (Ashok Leyland), Dr. Ajit Ranade (Aditya Birla Group), Mr. Ravi Kant (Tata Motors), Mr.S. Ramadorai (TCS), Dr. Y.V. Reddy (Ex-RBI Governor), Dr.Gururaj Deshpande (Sycamore) and Mr.R.SunderRajan (Indian Bank) among others. I am certain that these sessions would be inspirational for the student and corporate community alike to dream bigger and better in the years to come. I am sure my beloved nephews and nieces will be able to pull off yet another fantastic extravaganza this year as well.

In conclusion, I would like to say that happiness is after all, a perception. The Happiest People don't necessarily have the best of everything; they just make the Best of Everything. We are doing our best to stay happy and cheerful - One such attempt is this issue of Gravity in your hands. Enjoy it - we hope our happiness is infectious!

Dr. Bala V. Balachandran
Founder and Honorary Dean, GREAT LAKES Institute of Management
J.L. Kellogg Distinguished Professor of Accounting and Information Systems



Executive Director's message



Dear Readers,

Greetings from Great Lakes Institute of Management!

One of the signs of a flourishing economy is the emergence of newer and non traditional business opportunities apart from rapid growth of known traditional business. With India in the cusp of exploding economic growth, such opportunities have become visible today. Businesses such as advertising, infrastructure, bio-fuel, internet, sports, etc are a reality which would not have been conceivable in the pre-liberalization era. Such emergence of new industries not only provide impetus for the growth but also provide a variety of opportunities to the people and also compliments/ supplements traditional business.

I am happy that the current issue of Gravity is focusing on highlighting such business opportunities. I hope you will enjoy knowing more about the same.

Happy Reading!

With Warm Regards,

S.Sriram



“MURI”, “MURA” & “MUDA”- Three magic wands of performance excellence in Japanese Management System being adopted in Indian context.

Dr. P.N. Mukherjee

Abstract – The Japanese Industry grew to the position of world leadership in most of the product segment by mid-seventies from extremely low level in fifties. Even today they continue to defend their leadership position. This has mainly happened due to their focus on some typical management principles and Total Quality Management. To retain the market leadership in an extremely competitive global market place, the cost of production had to be kept extremely low. The Japanese Management System has done wonders in this area by putting into practice the three words- Muri, Mura and Muda. It has created a focus in these areas by simplistic manners as well as delivered wonderful and amazing results without any investments or costs. The concept involves the identification and elimination of unreasonableness, unevenness or wastages from an organization in its all areas of operation including process, product, services or people. The same three practices are adopted by various Indian Industries like Aditya Birla Group’s ‘World class manufacturing’, Tata group’s ‘Business excellence model’ etc. to attain global competence to fight international competition in India and abroad.

INTRODUCTION- During the Second World War, the Japanese lost the most and the American Industry gained the most. Postwar Japan was a ruined country where everything was to be rebuilt and replaced. The requirement was monstrous and resources were scarce. The country whose focus was manufacturing war arsenals were suddenly required to reorganize in manufacturing civilian products of day to day consumption. The factory manufacturing warplanes was to realign itself with manufacturing of automobiles. The “Made in Japan” was not a symbol of good quality in the world market compared to its western counter parts. On top of it Japan had limited natural resources to cope up with this tremendous challenge. On the other hand the West enjoyed period of steady growth for 30 years from postwar till the oil crisis of 73. The market was the “Sellers’ Market” all over the world. The focus was on production rather than Sales. The result was the steady growth of western industries.

However way back in 1950, the Japanese Industries under the stewardship of Dr. Joseph M. Juran, Dr. Deming, Mr. Taiichi Ohno, Mr. Shigeo Shingo and other management experts decided to catch up with the West and obtain world leadership in various Industrial segments by 1970s. One by one the Japanese Industrial entities overtook the Western Industry Leaders by mid seventies and retained their leadership even after three decades till date in most of the segments. Japanese Industry did learn from the west, but didn’t emulate them ditto. They blended the best from the west with their original ways adapted to their constraints to make the end out put the best in the world. The tough local condition of scarce resources led to the birth of methods based on Waste (Muda) elimination, maximizing Production and productivity to produce products and services at the least cost. This coupled with the customer orientation pushed the Japanese Industries up the ladder for the leadership position. “Ford’s production model” adopted by Western Industries believed in Push Sales where large production quantity in small product variety led to supply exceeding the demand. This led to global competition and market transforming into the Buyer’s Market. The customers were not fully satisfied due to the offer of limited choices of product varieties. On the contrary the “Toyota Production System” focused on cost management and a “Customer Pull Strategy”. This implied a customization and manufacturing small batch quantity as per specific customer’s requirement leading to the customer satisfaction. Manufacturer could no more push their design, their product at their cost to the customer. They had to adapt to a new era of buyer’s market where the organization has to respond to spot demand as per the client’s desire in a time bound, quick and economically effective manner.

The development of post 90’s worldwide has magnified the consumer’s total dominance over the market. Breaking down of protective dykes of duties in socialist and communist countries across the globe, signing of WTO,

unipolar world, globalization has led to intense global competition where good quality at least cost has been the order of the day for survival and growth of the industry. The Selling price of any Product or the Service is decided by the market forces. There is the effect of the routine inflation, rising cost of labor, material etc. threatening the profit margin continuously. The opportunity of price increase is not there leaving the only option for survival and growth is to reduce the cost of production. The three Japanese mantra of muri, mura and muda popularly known as “The big 3” or “3 M practice” are an integral part of Japanese manufacturing system. The 3M practice brought down the cost of the production to bare minimum without affecting the quality or rather the user friendliness. The effect of elimination of Muda or wastage can be immediately visible and its effect appreciated. The impact of the other two concepts of Mura and Muri are subtle and not that visible but equally significant in attaining the end objective of customer satisfaction and cost reduction. Let us understand the concept and implication of the effect of these three magic wands of muri, mura and muda step by step and systematically.

MURI - The word muri fundamentally means “Unreasonable” or “Irrational” approach to any field of operation whatsoever. This might have been adopted in various ways in various fields like “unreasonable or excessive strain” in 3 M check list of Kaizen activities. The Kaizen checklist tries to look into improvement by identifying and eliminating the “unreasonableness” or excessive strain in all the eleven areas of manpower, technique, method, time, facilities, tools, materials, inventory, place, production quantity, quality and way of thinking.

Muri looks for irrationality with four major approaches namely

- Things that are extremely difficult to do and at the moment beyond the reach – these things or activities should be identified and eliminated from our activities as there is no meaning behind pursuing these activities and currently beyond the individual or the organization’s capability.
- There is futility in pursuing the things or the activities that do not make any sense or it is difficult for the individual or the organization to find reasons for.
- You should also eliminate the things or activities you do just because you are told to do so without understanding the reason for doing the same or its underlying benefit from performing such activities.
- You should eliminate irrational actions or operations that cause undue or excessive fatigue due to lot of physical effort, frequent stress to body movement, mental fatigue due to unwarranted work place stress, to remember lot of unnecessary things, constantly worrying about defects or breakdowns, struggling to read illegible words and symbols etc.

In this context a vital area of “Muri” application which made Japanese Automobile and Machine Tool Industry go miles ahead of western industry is illustrated here. The American and European Car and Machine Tool Industry designed a Car or two wheelers or a machine tool to last for next twenty to thirty years and to give consistent performance. Therefore they multiplied the calculated dimension by factor of Safety of two. This led to the increasing dimensions of the components. Therefore the cost of the raw material was double. The weight of the automobile or the machine tool was heavier and it was less flexible and difficult to handle. Since as per thumb rule half the cost of an automobile or a Machine Tool is the raw material and if it doubles, the price of the final product also nearly doubled as all other costs were also directly or indirectly related to the processing of the raw material.

The Japanese thought differently and of course rationally. The difference was their “Customer Orientation”. Their view point was that

- Is the customer going to use the same ‘Car’ or the ‘Two Wheeler’ for the next twenty or thirty years?
- Is the customer going to use the same ‘Machine Tool’ or the “Manufacturing Technology’ for the next twenty or thirty years?
- Whether the product development and up gradation of technology in this most dynamic and vibrant field going to be negligible in next two to three decades?

If the answers to all these questions are no, then the Japanese argued that why design and manufacture a Car or the two Wheeler for twenty to thirty years when you know that you are going to use the same maximum for a period of four to five years? Why manufacture a Machine Tool to last for thirty to forty years when you know that the technology for manufacturing is going to change every five years. This is precisely “Muri” or “Irrationality” or “Unreasonableness”. Therefore the Japanese did what was rational. They designed a Car or Two Wheeler for five years because that is normally the life span for which the product is effectively used. Therefore the Japanese used a ‘factor of Safety’ of 1.25 instead of two. Their raw material cost was about 62.5% of the western design. The other direct and indirect cost was also reduced around the same figure. The end product was identical in terms of Product features and user friendliness. The cost of raw material and manufacturing was also lower. Hence the end price of the product to the consumer was also proportionately lower by almost 30% to 35%. The automobiles were also lighter in weight due to lower percentage of raw material used. This led to the reduction of deadweight to be carried by the vehicle thereby increasing the pick-up of the vehicle as well as reduction in fuel consumption. The end result of practicing “Muri” was a better performing product which is more user friendly priced much lower than conventional western products. The outcome was obvious. The Japanese Industry became the world leader in their respective field by mid seventies and continued to defend their leadership position till date in most of the fields.

MURA - The Japanese word “Mura” means irregular, uneven or inconsistent. Technically this word is opposite of “heijo” which means ordinary, regular or even. Either due to lack of interest or over enthusiasm we tend to deviate from the laid out standard leading to inconsistent actions. Such inconsistency can easily give rise to the irrationality and waste. Both the “Bottleneck Theory” and “Theory of Constraints” originate from the principle of Mura.

The Bottleneck theory states that the neck of the bottle or the least diameter in a bottle decides the rate of flow out of the bottle. This theory when applied to an industry states that the department in the manufacturing chain with the least capacity decides the ‘Plant Capacity’. The corrective action is strengthening this weak department by increasing its capacity by minimum investment. The result will be quantum jump in overall performance of the organization as the extra capacity was already lying unutilized in other areas.

Eliyahu M. Goldratt’s “Theory of Constraints” also tends to be developed around the same principle of “MURA”. The theory infers - “the weakest link in a chain decides the weight that can be lifted by the chain”. The objective is to identify this weakest link and keep on strengthening it to make the organization stronger and stronger and make it grow steadily. Of course both the theories have been developed extensively much beyond what is stated above to make them comprehensive and effective in offering complete solution to the organizational problems.

Kaizen also uses “Mura” as a powerful improvement tool. However instead of terming it as inconsistency, Kaizen prefers to term it as “discrepancy”. It calls for identifying the discrepancy in the eleven defined areas of men, technique, method, time, facilities, tools and manufacturing aids, materials, production volume, inventory, place and way of thinking. Once the discrepancy is identified, it is analyzed and a solution is found out to eliminate or remove the discrepancy leading to a culture of continuous improvement.

In Dr. Joseph Juran’s trilogy of Quality Planning, Quality Control and Quality Improvement, the Quality Control is defined as “control over the process”. The aim of this activity is to have the consistency in the performance of the Product, Process and People. This consistency in performance on the above parameters is extremely important for the customer satisfaction and maximization of return on Investment from the business. These are the two vital parameters for the survival and growth of an organization. This need for consistency in performance in all areas of an organization is reflected in developing the ISO 9000: 2000 series of standard for the “Quality Management System” by the International Organization for Standardization.

Mura calls for minimum deviation between the best and the worst products or the services. It calls for minimizing the range of deviation and minimizing the standard deviation in the Statistical Process Control. It develops the confidence of the customer as well as the management who knows precisely what to expect from the organization, its product and processes.

MUDA - “Muda” means waste. WASTE is any activity that does not add value. Dr. Joseph Juran has called all these activities as the “Cost of Poor Quality” or “COPQ”. Dr. Juran has summed up this as the total cost of external product /service failure plus the cost of internal failure plus the cost of various preventive measures. Taiichi Ohno of Toyota Motor Company has done an elaborate work on the “Mudas” or wastes. He has identified seven mudas or seven wastes which have further been modified to nine mudas. The objective in either case is the same. First identify and analyze the “Mudas” and then take suitable corrective and preventive actions to eliminate the same. This obviously reduces the Cost of Production, enhances productivity, reduces the cycle time and leads to better customer satisfaction.

Taiichi Ohno has focused on the seven Mudass or seven wastes as elaborated below:

- Waste from Overproduction – This wastage is normally not detectable. The tendency of an organization is always to overproduce to ensure no shortage of material in the market under any circumstance or to fill up the idle plant capacity during the lean period. In today’s dynamic highly competitive world the products and services has shorter life cycle. If a product is in inventory for a long time, it may become obsolete in the market. It may occupy plant capacity for products that are already in stock whereas some of the products for which the customers are waiting can not be produced due this blockage of useful plant capacity. It also leads to piling up of excess inventory, occupying more storage space, excessive material handling cost, interest cost on unsold stock etc.
- Waste due to Waiting Time – Any time wasted in waiting for the parts to arrive due to improper line balancing or waiting for job instructions due to improper planning or non-aligned objectives is a drain in the organizational resources. All such waiting time has to be identified and eliminated from the system.
- Waste due to unwarranted Transportation- This happens due to unplanned and improper plant layout leading to things or parts being moved multiple times. If parts are not properly placed they are difficult to find leading to further wastages. It can also aggravate the alignment of Processes.

- Waste from excess Inventories – Excess buffer inventory takes care of lot of inefficiencies like faulty sales forecasting, late deliveries from suppliers, delayed production etc. In the Just-In-Time production system the inventory is progressively reduced to increase the operational efficiency. Excess inventory leads to increase in “ICC” or Inventory Carrying cost consisting of interest cost on capital invested in extra inventory, storage space, extra material and product handling, insurance cost, product pilferage, product obsolescence etc.
- Processing Waste or useless operation in processing Waste – This occurs due to inefficient process design, improper technology. This can be improved by proper method study, incorporating proper technology, proper training to the operators, work study, etc.
- Waste of Motion or due to unnecessary human movements- This can be eliminated by the study of human motions, ergonomics and applying the principles of Motion Study. This includes the incorporation of simple human motion, proper arrangement of work place, location of operating switches, simultaneous and opposite movement of both hands, reduction of fatigue as well as pre-arrangement of tools and accessories leading to reduction of “Motion Muda”.
- Waste from Product defects or defective parts- This is a major muda which not only affects the cost of production but also leads to loss of Sales due to customer dissatisfaction. This involves the major cost of rejection, rework and replacement. The cost of an external failure is ten times the cost of detecting the same failure internally which is again ten times the cost of detecting the failure at the point of origin. Hence the emphasis should be in the process control or implementation of the six-sigma practice which makes it almost impossible to produce a defective part.

The further research in this area of Muda lead to the 8th MUDA as “ the development of Product or Services or for that matter even the Product features which does not add Value to the Product or Service from the Customer’s point of view or his needs and expectations”. In the Lean Manufacturing approach any activity or effort which does not meet a customer’s need or expectation is qualified as a waste.

The ninth Muda as per the latest concept has been defined as “The waste of Opportunities”. An organization may be contented with its growth, purchasing price or quality of the goods produced unaware of the fact of a new entrant performing better in these areas, a cheaper and better substitute raw material, a new technology etc. being availed by the competitor or available in the market. Any loss due to not utilizing this potential area of gain could be classified as an area Muda.

The opportunities of identification and elimination of “Muri”, “Mura” and “Muda” are generally assessed and revealed by a comparison to other standard either a competitor or someone who is the Best in the class . The common practices could be assessed by “Benchmarking”, “Strategic Planning” or “Business Process Reengineering” etc. The endeavor should be to attempt for a revolutionary rate of growth. This can be done step by step through Kaizen Gemba, Quality Circle, and continuous improvement or with a breakthrough improvement through “JQI”, “Kaikaku” or “Reengineering” or a combination of both approaches. The organization should strive for perfection, to aim beyond the limited objective of being the best in the class by benchmarking. The organization should get close to perfection, understand customer’s needs and expectations, undertake Value Analysis and reach to a position of outstanding competitive advantage.

The Korean corporate and chaebols Hyundai, Daewoo, LG or Samsung followed closely the above practice to becoming close to Japanese organization in global leadership in various sectors of their operation. Now it is the turn of the Indian organizations scaling new heights in attaining the global recognition in performance excellence.

The same three practices of 'Muri', 'Mura' and 'Muda' are adopted by various Indian Industries like Aditya Birla Group's 'World class manufacturing', Tata group's "Business excellence model", Reliance group's Performance excellence models etc. to attain global competence to fight international competition in India and abroad. This alternate business models are enabling the Indian organization to produce better quality products at lower cost thereby exploiting the global and local market opportunities to be industry leaders. This '3M' practice coupled with revolution in information technology and '5S' of housekeeping practice with core Indian values like mutual respect, resilience and ability to adjust to any environment or business situation along with a growing Indian market and better purchasing power of Indian population compared to the west has thrown open unlimited business opportunities hitherto unseen in India. 'Made in India' has become a symbol of good quality in International market in the last decade whereas our closest competitor China is still stuck with the reputation of 'Made in China' as a symbol of bad quality.

India with a large manufacturing base of high technology, good quality product and services producer at a low cost with the world's fourth largest market is strategically positioned to dominate global market place in times to come, probably within the next decade. It is interesting to note how the Indian multinational like Tata Steel Ltd., Tata Motors Ltd., Tata tea Ltd., Aditya Birla group of Companies, Ranbaxy Laboratories, Dr. Reddy's Laboratory, Videocon International Ltd., Mahindra and Mahindra Ltd., Reliance Industries Ltd., Hindalco Ltd., Jindal group of companies etc. fare in the next decade to exploit

"Alternative business opportunities for India and in the world" successfully to enable India attain the position of a powerful global economy.

Profile of the author:

Dr. P.N. Mukherjee is a Ph. D. in Total Quality Management and a certified Lead Auditor for ISO9000:2000. He has over twenty-six years of Industrial experience in various senior positions. He is currently the Sr. Professor and Chairperson (TQM & SCM) with the 'School of Business Management' and HOD – Operation management of the NMIMS University. He is author of the book 'TOTAL QUALITY MANAGEMENT' published by the Prentice Hall (I) P. Ltd



Creating new business opportunities through Innovation

Interview with Pradeep Henry

Gravity: You have pioneered the ‘business process centric approach’. Please tell us about it.

Pradeep: We’ve seen different software development approaches- technology-centric, data-centric, and user-centric, etc. A senior executive at Forrester Research said that today the level we’re at is the business process. Turns out, he’s right! We now have a business process driven approach to designing enterprise applications.

Managers on both enterprise-side and IT-side need to quickly get the process-centric approach in their agenda. That’s because this approach keeps the primary focus on achieving business process excellence rather than allowing distraction with things of secondary importance.

Smart service providers have already leveraged the process-centric approach. This innovation is often the first thing they showcase to prospective clients. And it is helping them win new clients and new projects.

You can learn more about this approach at www.powerofnew.com.

Gravity: What are some of the things business leaders need to know towards making innovation happen?

Pradeep: For leaders in Indian businesses, here’s the number one requirement. Leaders should know what innovation is and how it can help grow their organization. In my experience, I’ve seen that many organizations are not clear about what innovation is; some of them set up innovation groups, but the purpose is simply to bring into their organizations “hot” stuff invented elsewhere. Number two ... Leaders need to know how to spot talent and potential sources of innovation. Number three ... Innovation is about change ... therefore, for innovators and innovation leaders, change leadership is a crucial skill that alone can help move things from idea creation to delivery of new customer value. Finally and most importantly, leaders need to have the right attitude in recognizing and rewarding innovators.

Gravity: How do we go about the process of innovation and then to its realization? What do you think are the likely obstacles?

Pradeep: In some – not all – cases, it may be easy to generate a bunch of innovative ideas, which is the first step in the innovation process. But, it’s always hard to make the idea happen. It’s harder if you have a new-to-the-world innovation. It’s harder still if you are based in India and your employer does not believe that true new-to-the-world innovations can come from India.

As I said earlier, innovation is about change. And as you know, any change meets with resistance and this is a common obstacle. Take the process-centric approach for example. People are used to developing software in a certain way. And they’ve successfully sold software developed that way. Now, how would you convince them to switch to what you think is a better approach? How would you change client expectations? How would you prepare the practitioners?

As an innovator or innovation leader, you will face these challenging questions. And your job becomes harder if your organization does not have a good recognition and rewards system in place.

Gravity: How can you use innovation to deal with the downturn?

Pradeep: For a lot of people, the mention of the word innovation would bring to mind the image of an R&D team slogging for years on a pet project. Well, during tough times like these, we need to get innovative with innovation. How can we use innovation to deliver value in the shorter term? One way is to focus on services, business models, and practices rather than on products and technologies. And while doing that, we should look at innovations that can be created at low-cost and low-risk.

Gravity: What are the opportunities you see in the present scenario?

Pradeep: When money is easy to make, organizations have no incentive to think about innovation. Since things are currently heading south, I'm thinking that companies will want to look at growth opportunities through innovation.

Gravity: What was your experience as a “student” at Columbia B-School?

Pradeep: Many who taught were people who actually conducted research or pioneered something and then went on to share all that stuff by writing books. It was a great opportunity to directly learn from such people. For example, William Duggan, who spoke about strategic intuition, is the pioneer of this concept, who had done the research on the topic and published the book “Strategic Intuition: The Creative Spark in Human Achievement.” Do put this book on your To-Read list!

Gravity: What made you think beyond Cognizant and decide to take ‘the power of new’?

Pradeep: I pioneered the process-centric approach at Cognizant. Customer-facing folks at Cognizant were very, very smart and helped deliver new value to their customers – through this approach. That's the good news. However, process-centric approach is required by the whole business world and someone has to take it there. I thought that being independent is the way to achieve that higher objective.

Gravity: How different is the life as an entrepreneur/consultant from that of a well paid employee working for an established firm?

Pradeep: At Cognizant, all the sales and BD folks were there to do the selling for my team's services. Now, I'm left to myself to do that – and that could be tough. And life would be tougher if you are trying to sell services that customers may not be familiar with or services that they are not already asking for.

Gravity: How would you say that your service falls into the stream of emerging businesses?

Pradeep: Firstly, the process-centric approach is in line with today's focus on the business process. I believe that sooner or later software service providers and vendors will have to join the early-movers like Cognizant. To help them get there, we will also need firms like Power Of New.

Secondly, while India has stunning numbers to showcase, such as the world's second largest number of engineers, the nation is not perceived to have people innovating stuff that the world will use. I think Power Of New will have a role to play in changing that perception.

Gravity: What is your message for the students of Great Lakes?

Pradeep: Innovation rocks! Go for it.

- Based on the conversation with Gaurav Saxena

Profile of the author:

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Social Entrepreneurs - Engines of Growth in the Business World

Laxmi Ranjan Saxena

Introduction

Ideas have the power to change history. When new ideas emerge, they challenge established ways of thinking and acting, and suggest alternative approaches to resolve problems confronting the world. Entrepreneurs are essential drivers of innovation and progress. In the business world, they act as engines of growth, harnessing opportunity and innovation to fuel economic advancement. Social entrepreneurs act similarly, tapping inspiration and creativity, courage and fortitude, to seize opportunities that challenge and forever change established, but fundamentally inequitable systems.

Distinct from a business entrepreneur who sees value in the creation of new markets, the social entrepreneur aims for value in the form of transformational change that will benefit disadvantaged communities and ultimately society at large. Social entrepreneurs pioneer innovative and systemic approaches for meeting the needs of the marginalized, the disadvantaged and the disenfranchised – populations that lack the financial means or political clout to achieve lasting benefit on their own.

Social Entrepreneurship has been defined by many authors and practitioners; to mention a few here are certain definitions "Social entrepreneurs identify resources where people only see problems. They view the villagers as the solution, not the passive beneficiary. They begin with the assumption of competence and unleash resources in the communities they're serving." David Bornstein, author of *How to Change the World: Social Entrepreneurs and the Power of New Ideas*. "Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry." Bill Drayton, CEO, chair and founder of Ashoka.

There are several online definitions also available in this regard like Wikipedia, an online encyclopedia defines Social Entrepreneurship as "Social entrepreneurship is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. It further distinguishes between business entrepreneur and social entrepreneur as while a business entrepreneur typically measures performance in profit and return, a social entrepreneur assesses success in terms of the impact s/he has on society. While social entrepreneurs often work through nonprofits and citizen groups, many work in the private and governmental sectors."

There are arguments which deny that the business entrepreneurs are motivated by profit. Business person and business entrepreneur are not the words which can be used interchangeably. While business person has profit in terms of financial gain as the key factor the business entrepreneur is rarely guided by the financial gain. Identifying the opportunity, pursuing an idea, determination to materialize the idea and the rigor towards the effort are some of the key characteristics of both the entrepreneurs, social as well as business. The underlying difference between Social and Business Entrepreneur is in value propositions which they have. While business entrepreneur aims to serve market that can accommodate new product or services comfortably, a social entrepreneur would be guided by the large scale transformational benefit and outreach of the benefit to unreached segments of society.

History of Social Entrepreneurship

The terms social entrepreneur and social entrepreneurship were first used in the literature on social change in the 1960 and 1970s. It came into widespread use in the 1980s and 1990s, promoted by Bill Drayton the founder of Ashoka: Innovators for the Public, and others such as Charles Leadbeater. From the 1950s to the 1990s Michael Young was a leading promoter of social enterprise and in the 1980s was described by Professor Daniel Bell at Harvard as 'the world's most successful entrepreneur of social enterprises' because of his role in creating over 60 new organizations worldwide, including a series of Schools for Social Entrepreneurs in the UK.

Although the terms are relatively new, social entrepreneurs and social entrepreneurship can be found throughout history. A list of a few historically noteworthy people whose work exemplifies classic "social entrepreneurship" might include Florence Nightingale (founder of the first nursing school and developer of modern nursing practices), Robert Owen (founder of the cooperative movement) and Vinoba Bhave (founder of India's Land Gift Movement). During the 19th and 20th centuries some of the most successful social entrepreneurs successfully straddled the civic, governmental and business worlds - promoting ideas that were taken up by mainstream public services in welfare, schools and healthcare.

While social entrepreneurship isn't a new concept, it has gained renewed currency in a world characterized by a growing divide between the haves and the have-nots. With this heightened visibility, social entrepreneurs at the forefront of the movement are distinguishing themselves from other social venture players in terms of ultimate impact.

Arbind Singh, Executive Director, Nidan(A NGO in Bihar), accepted the award on 18 November 2008, as the winner of the Social Entrepreneur of the Year 2008 in India is a more recent example. Nidan is developing sustainable businesses, cooperatives, trade unions and "people's institutions" led by the most excluded categories of the poor in Bihar. It has promoted and built 20 independent profit-making ventures governed and owned by the urban poor including waste workers, rag pickers, vegetable vendors, construction labourers, domestic helpers, micro-farmers, street traders and other marginalized occupation groups. Throughout history, such individuals have introduced solutions to seemingly intractable social problems, fundamentally improving the lives of countless individuals by changing the way critical systems operate. Florence Nightingale and Maria Montessori offer two prominent historical examples. Muhammad Yunus, recipient of the 2006 Nobel Peace Prize, He began offering microloans to impoverished people in Bangladesh in 1976, thereby empowering them to become economically self-sufficient and proving the microcredit model that has now been replicated around the world.

One example is social entrepreneur Bunker Roy, who created the Barefoot College in rural communities in India to train illiterate and semiliterate men and women, whose lack of educational qualifications keeps them mired in poverty. Today Barefoot College graduates include teachers, health workers and architects who are improving communities across India, including 450 "barefoot" engineers who have installed and maintain solar-electrification systems in 547 villages that reach nearly 100,000 people.

Mr. Bindeswar Pathak who initiated Sulabh Sauchalay, identified the challenge that the society had in the form of sanitation. He countered this challenge with chain of Sulabh Sauchalay on revenue generation model. Presently the quality of services offered by Sulabh Sauchalay chain, its accessibility to the people and extent to which it addresses the problem of sanitation clearly establishes Mr. Pathak as a leading Social Entrepreneur.

Current Practice:

Organizations such as SEWA of Gujarat can be very contemporary example of Social Entrepreneurship. SEWA worked with working women and in the effort it also covered even house wives in the category of working women. House wives were never considered as working women in India even today. But SEWA gave them the status. Today these women are not only accessing the services like bank, market, insurance etc. that had been out of their reach since ever but also owning such services. Currently SEWA runs its own bank, its own insurance products, audio-video unit. SEWA has outreached to women of other states also going much beyond Gujarat. It gave government as well non government agencies a model to further build upon.

Rajendar Singh, the waterman of India and also the recipient of Magsaysay Award is another such social entrepreneur. When he started working on the issue of water in 1980s that time watershed as a concept was not very popular. Not one could have believed that a river which dried up almost a decade ago could be brought back to life. Today Arbari river is not only flowing perennially but the process has been accepted by the mainstream system. He established importance of traditional wisdom in addressing such social challenge like water. Today every guideline on watershed development spells the word participatory and community wisdom.

CASE STUDY: Lijjat - A Women's Enterprise with a Difference:

The case "Lijjat Papad-Women and Entrepreneurship" describes the successful entrepreneurial venture set up by seven semi-literate women from a small community in rural India. From humble beginnings in a thickly populated locality of Mumbai in 1959, SMGULP has come a long way. The organization gained recognition through its most famous product- Lijjat papad. In addition to papad, SMGULP manufactured other household products like spices, bakery products and detergents. In 2002, with a turnover of Rs 3 billion, exports worth Rs 100 million, 62 branches and 40 divisions all over the country, and 42000 members, the Sri Mahila Griha Udyog Lijjat Papad (SMGULP) was a women's entrepreneurial success story in India. A look at any of the branches of SMGULP gives the feel of an efficient entrepreneurial set up. The key to SMGULP's success lies in the feeling of oneness that it creates. Women above 18 years of age can become members of SMGULP by signing a pledge of devotion to the organization. At SMGULP, workers are referred to as co-owners and the women who work there are referred to as sisters.

No kind of work is considered inferior or superior at SMGULP. Every job is given equal importance and the member sisters are free to choose the work they like, rolling papad, or packing, or preparing the dough. Payment is made on a daily basis. Quality is given utmost importance. The supervisors constantly check for the quality and weight of papad. SMGULP inculcates in its members, "a commitment to earn a legitimate income, honesty, and not snatching the fruits of another person's income" and adherence to quality. Stringent rules of cleanliness and purity are maintained. The whole manufacturing process is open to inspection by anybody. A well laid formula is strictly followed to obtain products of a fixed standard of taste, color and size.

Over the years, SMGULP has won several awards. The organization was awarded for its outstanding contribution towards the uplift and welfare of socially, economically and physically handicapped women. In 2002, The Economic Times Award for Women Entrepreneur of the year was awarded to Jyoti Naik, President, SMGULP.

As not every business person is business entrepreneur likewise not every social worker is social entrepreneur. The line of demarcation between a social worker and social entrepreneur is again the sheer scale at which both work outcomes of their efforts, underlying innovativeness and extent of their vision. Like wise with the initiative of AMUL (Anand Milk Union Limited) Mr. V. Kurien could be called as social entrepreneur for the sheer scale of impact that it had on people of not only Gujarat but also of all over India but we cannot call all the NGOs and individual as Social entrepreneur who are now working on the AMUL model or on dairying. The main aim of a social enterprise is to further its social and environmental goals. This need not be incompatible with making a profit - but social enterprises are often non-profits. Social enterprises are for 'more-than-profit' (a term coined by a BBC journalist). Social entrepreneurs are solution-minded pragmatists who are not afraid to tackle some of the world's biggest problems. They recognize the extraordinary potential in the billions of poor people who inhabit the planet, and they are absolutely committed to helping them use their talents and abilities to achieve their potential. Social entrepreneurs use inspiration, creativity, courage, fortitude and, most importantly, direct action, to create a new reality – a new equilibrium – that results in enduring social benefit and a better future for everyone.

However difference between social entrepreneur and social reformers is the gray area which the article is painting into neither white not black but leaving it untouched. The article is not attempting to give a water tight compartment in order to define social entrepreneurship and close all the windows of new ideas and colours in the process.

SMGULP, AMUL, Sulabh Shouchalay, SEWA, are the few examples of initiative of such social entrepreneurship. Like all entrepreneur these enterprise also involved risk as these were the out-of-box thinking and were untried elsewhere. A social entrepreneur runs the greater risk of getting failed in their approach as they deal with human being who is largely unpredictable unlike market where customer's behavior can be standardized as per the region and culture. A social change also involves lots of social analysis, social facilitation, and preparation against the social forces as normally a social entrepreneur has to swim against the flow. Unlike business entrepreneurship where the control of the profit is in the hands of an individual, in social entrepreneurship the whole community whose social problem is being addressed is the controller and recipient of profit. While in business entrepreneurship the profit is only in terms of Hard Cash in social entrepreneurship the profit has multiplier definitions. Each recipient of profit might be receiving profit in different forms. Unlike business entrepreneurship accumulation of wealth and control in the hands of few is against the theory of social entrepreneurship. Social entrepreneurship promotes equitable distribution of wealth and services and democratic control of resources. Meaning of success is defined by collective goal rather than of any individual.

Social Entrepreneurship an alternative business opportunity for INDIA - Changes in funding trends are not new to the nonprofit sector. In the past, a traditional response to such a change might have been to raise additional funds from board members or foundations, or to ask the government for more funds. But, as the IFF's study, Illinois Nonprofits: Building Capacity for the Next Century, confirms, nonprofits in Illinois—like nonprofits across the country—are finding that government funding is being redirected. Nonprofits must now deliver government-funded programs more efficiently, and must find new resources to deliver programs that cannot be covered in any other way. In addition, today's nonprofit board members and donors, whose skills and interests often reflect their own successes in the corporate world, are more likely to be attracted to more businesslike nonprofit corporations. Financial instability and crises are not acceptable to these leaders.

Today, nonprofits are increasingly finding that social entrepreneurship offers the tools and techniques needed to build capacity and to achieve and maintain long-term financial stability during times where there are changes in the economic environment. Social entrepreneurship is a strategic approach that encourages nonprofit corporations to both diversify revenue sources and develop new revenue-generating activities. Through social entrepreneurship, nonprofits across the country are developing new, innovative strategies for meeting their missions by adopting effective business practices that are the backbone of traditional business principles. Foundations that recognize the value of the trend are offering specialized grant and loan funds targeted at enterprise-oriented activities.

Nonprofits practicing social entrepreneurship use business-sector disciplines and models within the core mission or program of the organization. For today's nonprofit executive, the management challenge is to allocate resources strategically and make those resources as productive as possible. Executives find they are able to meet their missions through many different strategies—often using new financial and marketing models—than in the past.

Social entrepreneurship can mean starting new endeavors or bringing new fiscal or managerial disciplines to old endeavors.

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Laxmi Ranjan Saxena is an M Sc (Geology) and MBA (Rural Management). She is currently pursuing her Ph D on 'Local Self Governance and Women Leadership'. She has worked for more than seven years in social development sector. Presently she is an HRD Consultant with UNICEF.



Talent Creation: The next big entrepreneurial opportunity!

- Madan Padaki

The steady growth of Indian economy over the last few years has created multiple opportunities for the country's youth, who are looking beyond the traditional options of engineering, medicine or law when it comes to pursuing a career. Across sectors like aviation, telecom, insurance, IT, manufacturing, retail or real estate- there are several emerging areas providing excellent options for career seekers.

The surge of opportunities in these areas has translated into a huge demand for employable talent. Though there is no dearth of talent in this country, employable talent or the talent with the right set of skills & abilities for the job is still a question mark. The reason lies deep into the method of career selection. Rather than taking an informed decision, often people opt for a career looking purely at the trend and realize later that it does not match their interest, abilities or aptitude and they can't pursue it any more. It leaves the individual with no sense of accomplishment and he or she gets into the loop of seeking another option. On the other hand, for the industry, the amount of time spent in training the individual on systems and procedures of business produces no result. Thus it becomes critically important to identify and engage the right kind of talent for all these emerging areas.

To ensure a sustainable development of such sectors as well as to improve employability scenario, it is important for all stakeholders- be it the industry or the career seekers or even academia as well as the government to understand the extent of the problem and take corrective actions because a correct step in the beginning would ensure harmonious growth of the careers of the Future.

MeritTrac was conceived in 2000 as an entrepreneurial venture - to help individuals & organizations quantitatively measure skills and understand employable skills better. The foundations of the business plan of MeritTrac can be traced to the same premise that I am laying down in this article - that there are several possibilities that exist in "employability" space, especially given the rapid growth of the services economy. In the latter parts of this article, I will also briefly discuss some of the entrepreneurial challenges as well.

I see a terrific opportunity for entrepreneurs to step in and create business models which could help individuals identify their strengths, map it to careers, hone their skills thru customized, training and eventually become employable. Though there are several "training" institutes, placement agencies & job portals - all of them are operating in their own silos without really integrating offerings right across the supply chain. In the subsequent paragraphs, I will define the issues related to employability as I see it and you can draw your own conclusions on spotting business opportunities here.

The first step in this supply chain could well be initiating the career selection procedure at an earlier stage. Today typically a student starts exploring career options after 10th standard. In a cut-off driven education system, percentage of marks alone decides which stream the student should be opting for, and this trend continues through further years. There needs a fundamental change in the approach- instead of marks alone it should also be the interest and abilities of the individual constructing the building blocks of his career path. When an individual has the chance to pursue something that interests her and she has the required skills, it helps him/her reach a greater height.

The next important step is to ensure a synergy between industry expectations and academic output. The onus lies equally on the academia and the industry to come together and share both sides of the story on a regular basis. For every industry, there are certain specific and certain generic skills which the industry has to share with the academia. The academia thereafter can create a curriculum that would address the need of the industry along with providing strong knowledge base to the students. The process at the end of the day would help produce employable graduates from our institutions, helping the industry cut down "on the job training time".

Further to identifying and developing employable skills, it is also critical to hone such skills on a regular basis. The individual must keep oneself updated regularly as today's businesses are supported by technologies that change every now and then. One has to be in tune with such changes even to survive, if not succeed, when it comes to such emerging careers.

Last, but not the least step for the industry is to set the standards right when it comes to talent engagement. Often the gap between increasing demand for employable talent and inadequate supply forces the industry to work out a compromise formula. As a result, significant percentages of recruits fail to achieve the benchmark. While some can be trained, others hardly fit into the canvas even after considerable amount of training. Thus it becomes crucial for the industry to define the parameters clearly before getting into the talent engagement exercise and follow them religiously while recruiting.

The number of graduates we produce as a nation speaks for itself – every year, we churn out over 2.5 million graduates from various streams – Engineering, Science, Arts, Commerce and others. Various studies on employability have all pointed out to a 10%-25% employability rate. I urge all of you to do the math and figure out the enormity of the problem – and aren't all problems opportunities in disguise??! Let me move on to the topic on entrepreneurship itself and share my experiences of starting MeritTrac.

A belief in the idea is essential, but it has to be backed by cold and solid math. The most important part of starting off on your own is in developing a business plan for your brainchild. Simply put, it is the ability to make money out of your idea and the way of doing it. Every future step will depend on a business philosophy and a way of doing business- “why will someone pay you for this service/product?” will be the most important question that you need to convince yourself on. All other things like create/outsourcing, delivery mechanisms, costs, etc. are the next set of relevant questions that need to be answered.

Some folks harbor the thought of being an “entrepreneur” while continuing to be employed in another organization. I truly believe that this will not work - commitment must come from within and it has to be 100%! There are no two ways about it...

Next is the grueling hard work that one needs to put in to get the start-up off the ground - and it is linked again to your belief and hope. Getting your first client and realizing the first rupee of sale is a realization of yourself as a person. There are tough markets & easy markets, but the most difficult ones are pioneering markets - like when MeritTrac was started. Convincing a company to change its processes and implement a new idea is a herculean task in itself, but asking this prospect to place his faith in doing this with a startup sometimes seems futile. And of course, unless the delivery of the business promise is spot on, life can become extremely difficult. All this has to be achieved while staying on course to make profits – both in short-term or long term.

The other defining factor is the ability to handle crisis and your belief in the idea to tide over it. There are bound to be downturns and these are sometimes desirable, as they put to test your character, business model & philosophy. The hallmark of a robust set-up is the ability to overcome or adapt to changing scenarios to tide over such crisis.

In all, the road to entrepreneurship is one of sweat, toil and occasionally tears but it is also the path of ultimate satisfaction. Setting up your own enterprise and running it successfully is a thrill few have experienced and a league inhabited by people like Bill Gates, Dhirubhai Ambani, Narayana Murthy and other business legends. And I am proud and privileged to be treading on such a path in a small, but significant way!

Profile of the Author

Madan Padaki completed his engineering from the National Institute of Engineering, University of Mysore and MBA from S.P.Jain Institute of Management & Research, Mumbai. He is cofounder and CEO of MeritTrac – a pioneering idea in skills assessments. MeritTrac is today India's Largest Skills Assessment company. The author serves on the Governing Council of DOEACC to evaluate IT education in India and is a chartered member of TiE Bangalore.



Delivering Dreams

- Ruchi Chopra

“Take up one idea. Make that one idea your life - think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success that is way great spiritual giants are produced.”

Swami Vivekananda preached words of wisdom at one point of time. I hardly thought I would experience it before reading. I read definition of an innovative business entrepreneur is one who recognizes opportunities to introduce a new product, a new process or an improved organization, and who raises the necessary money, assembles the factors for production and organizes an operation to exploit the opportunity.

And that's exactly what I did. Recognised an opportunity and created a new concept- a concept of sending surprises to people. A concept of making someone smile by making them feel the gift was personalised for them and not a off the shelf piece picked up at a gift store. The idea came to me in Oct 2006 when I was sitting at work at a multi national I worked for and a hostel friend messaged me saying "I want Pizza". It was one of those messages from an old hostel friend I could have smiled at and thought: "yeah, me too"

But I didn't, instead I decided am going to send her a pizza from my side.

I was sitting at work pondering over how I am going to do this when I have to be at work till 7 and run for a work dinner right after. I walked into the balcony area of my office and I started called the pizza service to deliver the pizza to her and take the money from me. It would have been a 2 km detour and I was more than willing to pay for that detour, even double the cost. From that time at work till my travel to my dinner place, I spent 40 minutes with a pizza place over the phone trying to explain to them how this was a simple thing to be done for a friend and I want to pay for it. Finally, the detour option didn't work, so I promised them that a friend would go to another outlet and pay for the pizza. I entered my dinner with a sense of peace that I got it done. Half an hour later I got a message from my friend saying: hey, thanks for the pizza and so on... I was delighted!!

An hour later I got a call from my friend who went to pay for the pizza at another outlet saying: they won't take the money coz this order has already been paid for. I spoke to them and they said it was paid at on delivery. WOW!!!!!! I said to myself...

I called my hostel friend to check if she had paid for it, and she very naturally said: ya, of course. They gave me the bill, I paid for it.

I ate the rest of the meal with a shocked look on my face. The whole point of surprising her and giving her something from my end WAS LOST. It was a disaster!!!!!!!!!!!!

I started to think that night; THIS was just a pizza- the least complicated of all gifts one has to think of. In a case when u know what a person wants and what pleases them and u don't have to spend hours thinking of what to send them, more than half the problem is already solved. And yet we couldn't achieve that 20% by just organising it.

There must be, it thought a zillion people who want to do something nice for someone...THIS WAS THE LOOP HOLE I SAW. There was no one in the market to help me arrange something as silly was just a pizza. For 2 reasons people can't do these themselves. One, they don't have the time and are stuck at work. Two: they don't even have ideas...

I started working on the concept and ASAP, the name came from scribbling over a paper tissue got my legal aspects in place, got the name of company trademarked. When you start a new business venture, its not just about making money, it's a combination of having way too much energy, too many thoughts and a lot of passion to make people happy. It's amazing to be able to start something good as a result of all my ideas and passions.

There is no dearth of business opportunities that the world is here to offer. Today, with the technology, the entire world is just as big as a classroom.

It is very well said by Orison Swett Marden "Don't wait for extra ordinary opportunities. Seize common occasion and make them great. Weak men wait for opportunities; strong men make them"

Look around, there are so many loopholes, you will see there is so much need for products, electronics- get someone an electronic wallet, a table that shapes it self on the readers thighs, an instrument that will detect your mood and play the channel and the world is ready to grab it.

When you as an entrepreneur start a new company, your definition of success has to be to make the company the first really powerful community venue of its type. The risk is that the product may not sell. Fortunately the Internet can be used to test the market before taking much risk. It is much easier to find the demand for items and then meet that demand than to start with the product. India has plenty of products that can be tested on the market.

Let's face it, it's a world trying to fight inflation right now, but these thoughts don't die out.

In today's world scenario, you start any business, online is the way to market it. It's the way today and the only way for tomorrow- its reachable, it's reasonable and fast. You've got the world in your hands and in country like India where either the masses make the product a great hit or it stays with the niche part of the society, both ways leading to a success.

There are courses in institutes of the nation to learning lighting in museums. There are no longer just 4 lines of work- doctor, engineer, service or computers. The world I open to alternate business, new ideas, new thoughts, and new services. People simply working on shoe wash and car wash today are running successful companies. You have the passion and believe in what you sell, you can sell the planets of the solar system too. To all the students, it's an advice, if there is any hesitation you have to start a concept or a new product, get over it now. It's the best time and the safest time for you the experiment since there are least responsibilities on you. THINK AHEAD. THINK NEW. THINK BIG.

- Keep Surprising
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Renewable and Clean Energy Technologies - The Future, Our Future

Interview with Sameer Mehta

We live in exciting times - renewable and cleaner energy technologies will reshape the human race over centuries to come. Not only will this be better for the environment, our children and our grandchildren, but also provide exciting opportunities for many policy makers, academic researchers, companies and most importantly entrepreneurs.

We are seeking both investments and clients in the space with some strong basis of technology, where the entrepreneur or researcher has developed or licensed a patentable technology or concept. Unfortunately the majority of deals we come across are renewable energy land developments, either bio-fuel oriented plantation, wind farms or solar panel distribution plays.

We yearn for opportunities that

1. Delivers localized energy more efficiently like a low-cost, longer life battery, a motor which needs very little energy to start and operate or an engine modifier which delivers fuel efficiency
2. Reduces the electricity emission footprint per MW output from conventional sources like coal, gas or diesel like a technology or process that recycles some of the waste streams on coal / gas power plants towards lower GHGs and waste emissions per MW output or a diesel additive that increases the efficiency of diesel generators to provide the same or greater amount of energy output for the same or lower fuel input.
3. Dramatically reduce the capital and operating costs of renewable energy building blocks like low cost fabrication of solar panels or wind turbine blades or lower cost wind turbine components

Gravity: The large companies are not really paying a lot of attention towards these methods of producing power through renewable sources of energy. Why?

Sam: Lots of lip service for building consumer good-will and for promotional purposes, but very little true commitment (just observe the capital towards renewable and clean energy as a percent of annual budgets). There are three aspects of this.

First, they were minting money with conventional sources. Nearly two years back, oil was expected to shoot up to nearly \$200/barrel as per Goldman Sachs and Matthew Simmons (Simmons Bank and Peak Oil book). Many of us industry veterans were shell-shocked. If you look at the basic microeconomics of the global crude oil supply and demand fundamentals, ignoring political games, short term (temporary) shut-downs and speculator pressure, the price of crude oil was expected to be around \$35 - \$60 / barrel. However, we looked on in disbelief as the price had shot to more than \$120/barrel. This was primarily a factor of speculation, short term supply-demand imbalances (Venezuela political interference, Gulf or Nigerian production platform shutdowns, refinery turnarounds) and OPEC influence.

Second, the marginal cost of producing an extra kilowatt from a renewable clean source is much higher than conventional sources – gas or coal for electricity or petrol or conventional diesel for automotive/other fuel. The full cost of solar or wind energy conversion per MW or hydrogen fuel cell or bio-diesel production per gallon are much higher than the conventionals - and depend heavily on subsidies and government policies.

Finally, as the global and more importantly national economy weakens, the interest of investing serious policy making time or effort and increasing subsidies for renewable or cleaner energy has seriously diminished.

So why would the conventional majors change their decade old habits, which have paid rich dividends and healthy salaries...

Gravity: What is the world not thinking beyond Crude, Coal and other conventional sources of energy? It's predicted that they are limited what will be next?

Sam: Regarding the fallacy, that conventional reserves are running out. What is true is that reserves of oil and gas are getting harder and more expensive to find and develop. Also there are lots of untapped locations on the planet - like the Arctic and deep-ocean gas. Furthermore, the un-conventional carbon sources like oil sands, oil shales, coal-bed-methane have barely been touched as they are more expensive to convert. In fact, there are more recoverable reserves (if one includes un-conventional sources) in North America than the whole of Middle East. However, the environmentalists will say that these sources are more environmentally damaging - and for the most part, I would agree - though with the right incentives, I suspect we will find clean and safe ways to develop such sources.

Furthermore, wood and coal did not run out in the 50s. Gas just became a more efficient and economic source of electricity. Thus I suspect that over the coming decades, the energy mix will evolve from what is nearly 90%+ carbon based to something more environmentally friendly and economically sensible.

Gravity: Why are Governments not driving the change - like strongly supporting the Kyoto Protocol?

Sam: The largest national consumer of energy (in absolute terms), the USA did not have clear interests in really driving such a change for many years in the past. With a President and Vice-President who made billions of dollars with conventional oil, and their main-stay support from organizations and states with strong conventional fuel value chain interests (oil production, car manufacturing), their heart-felt desire was unlikely to have been in supporting a transition. Countries that are energy suppliers - like Russia, many in the Middle East and Africa, are not complaining and have a strong interest to slow down the global movement towards cleaner energy futures.

On the positive side, we have heard US President Elect Barrack Obama make this one of the policy commitments during the US elections to help enhance the security of energy supply, reduce dependence on Middle Eastern Nations and protect the environment. He has a tough task to convince the key stakeholders during current difficult times - but it is clearly a positive sign.

Focusing on India, a net consumer of energy is trying to enhance a developing eco-system and a billion people. Our government definitely needs to get its act together to better support innovation in clean technology and renewable energy. However, it does have to balance factors that may slow down growth and support bringing its billion+ customers above the poverty-line.

Gravity: Does it mean there is no need and incentive to develop alternate and green energy source?

Sam: There is clearly a need - just breathe the air on the crowded streets or the melting of the ice-caps. The incentive has to also be financially motivated. Either oil and gas prices (gas prices are oil-linked in many regional markets) have to go up considerably or the development costs of renewable energy (including capital outlay, operating costs) come down dramatically so that the renewable and alternate sources become more commercially viable.

Gravity: Now that the global oil prices have come down significantly, the drive towards alternative sources of energy would lose much of the momentum? How do you look into this matter?

Sam: Today we see consumers, and organized global interest groups in unconventional energy from stakeholders who yearn for something cleaner and more sustainable. Many people are worried about “global warming”. So we notice a growing appetite for cleaner and renewable energy.

However if you escalate this to an Organised Government level, mainly during a global down cycle, the appetite for investing in more expensive green technology would obviously diminish. Governments will have to balance this with industrial competitiveness and job security.

However there are many seed fund companies, venture capital and private equity groups, which are environmentally conscious and understand the significance of clean technology and renewable sources of energy. They understand that the sector is growing rapidly and has immense potential for returns in the next decade and more.

Gravity: Why is the government not paying the incentives and forming policies into it with a lot of interest?

Sam: Governments have a lot of smart people who are equally environmentally conscious as you and me. However there are constraints of budget which they have to comply with - thus making for the more economic sources of supply. Second, for the amount of electricity demand that exists in most places, renewable energy options are probably not going to solve much of the problem. We need GW of electricity to fuel our consumer and industrial demands. This translates into huge solar or wind farms versus mid-size coal or gas powered plants or nuclear facilities. Finally, the benefits of environmentally superior policies will not be felt for a long time - which is a tad too long for most politicians seeking re-elections. Compared with short term options that involve job creation or safety for conventional sources - it is hard to be in their shoes and make different decisions.

Gravity: How can we get past the Capital Shortage problem?

Sam: Government can offer subsidies for land and also some tax benefits but they cannot really offer a complete solution. Rather it is the younger generation of innovative researchers and committed stakeholders - like folks from the IITs, regional engineering colleges and strong business schools like GLIM who have to take the onus of coming up with technologies, concepts and commercial innovations that would help provide the answer to this problem. Capital will flow as there are many venture capital players who are prepared to invest in the space.

Gravity: How do we spread the message in Society about Going Green?

Sam: Go ahead proactively and gather like minded people. Help the techies with a business plan or help make their research more commercially focused and viable. Take initiative to learn about the space - recycle more, become more efficient and waste less. Finally if you have a great idea or technology in the space - come to us - not only do we understand the sector, bring strong skills and relationships to help you succeed, we can also seed fund your dreams.

“Environmentally Conscious”- Sam’s take

Global warming and environmentalists make us more aware to be environmentally conscious. Macro economic issues and micro economic challenges will drive us to pursue the most economic efficient sources of energy. There have to be economic and financial benefits for people to switch to something cleaner. Governments have a significant role to incentivize growth and provide conscious policies without rocking the boat on economic growth.

However, if we want our grandchildren to live healthy long lives - we better change gears, pay more attention to the way we use our energy (waste less, improve efficiency, share more), demand more environmentally conscious policy makers, and support ideas that might make our world a sustainable place.

- Based on the conversation with Agniva Mookherjee

Profile of the author

Sam has more than 12 years of top-tier strategic consulting, multi-national operating and entrepreneurial business development experience to clients. A former management consultant with McKinsey & Company (USA), prior to McKinsey, Sam has held multiple senior business development, technical and operations management positions with Shell, BP, ICI and Exxon in Europe and Latin America. Sam has an MBA from the Kellogg School of Management, a Masters in Manufacturing / Engineering Management (Northwestern University, USA), a Masters and Bachelors in Chemical Engineering. He is a chartered engineer and chartered environmentalist.

Sam is a Founding Director of Atlas Advisory (a unique combination of consulting and investment banking) and Atlas Ventures (seed funding). He is also an operating director in Dr Mehta Hospitals (hospital chain in South India).



Online Travel and the Way Forward

- Kartik Kannan

When I was 'susegaading'(Goan for Relaxing) in a shack off the coast of Palolem in Goa on a monsoon filled afternoon, I realized that most of the travel agents on the beach had closed shutters by 2 pm. If I were to quickly take a head count of the number of people on the beach at that time, it would have been not more than 10 people (including the fisher folk). I had come there in the midst of the monsoons on an unplanned visit from Mumbai, and I had not planned my return trip. Here I was with no electricity, no people to interact with except a quiet Nepali owner, whose lingua franca was a bewildering mixture of Hindi and Bengali. I had to book my travel now, or else I would be stranded in Goa over the long. With nothing much to do, I decided to entertain myself with the 20% charge that was left in my laptop, and surprisingly the Reliance data card was detecting signal, amidst heavy rains and lashing ocean waves(30 mts from my shack). I logged on and as luck would have it booked a Tatkal Rail ticket for a train starting from Mangalore all the way to Mumbai, with the boarding as Madgaon. In that time, I also managed to find online which was a more scenic route to the railway station. Wow, my trip was looking better, with my return travel insured, and soon the Sun too echoed that by coming out resplendently in the Goan evening sunset. So have you ever thought about the online Travel Industry and the way it could impact your life as a customer? It certainly made my life a lot better on that Goan trip. The biggest opportunity in recent times has been providing a service that is at the vertex of user generated content, local travel services and online connectivity. I realize that these are bad times with fears of recession looming large, but the advantage is that the cost of acquiring properties and entry barriers are lesser now. So when the boom starts all over again, you would be catapulted to the forefront. Today's online travel market strictly focuses only on services that are individually great, but there isn't any service that provides such total handholding service. This is where the opportunity lies in the market for a player to aggregate a service completely that takes care of travel requirements completely.

But hey isn't a travel agent supposed to do that? Good Question! Your travel agent would do your booking, would plan your pick up, would plan your hotel and would even plan what you should see (based on what he feels is popular). But isn't this a web 2.0 world where the customer is the king? Then why do we rely on services that hold us hostage to their choices? The power of the web, mobile and the unharnessed local information about a place, just needs a single platform. How would it be if you punctured your tire midway on a lonely road, and you used a sms/call service that immediately tells you the number of the nearest mechanic based on the geo positioning of your phone. How would it be if you created a service which based on where you are traveling, suggests you some things that only locals knew or suggests you a lovely stream that lied hidden in the jungle next to the highway. The online travel market looks saturated because everybody is doing the same basic hygiene business of selling hotels/flights and packages. The result is they end up cannibalizing each other competing for imaginary market share. The last mile connectivity in online travel is the way forward, to differentiate yourself, from selling a plain vanilla service. Imagine instead of using Google, Just Dial, Lonely Planet, Cleartrip.com, travelguru.com, Paulo Travels and ..a zillion other services, you just use one single service that does all that and gives you personalized information on the go, apart from also selling you stuff that you want, than selling what they have, I am sure you as a customer would be smiling all the way to the sunset and the guy who makes this "last mile travel connectivity" smiles all the way to the bank.

It surely is a lot tough to get information that would be personalized to each customer who is traveling on the go, but that's the nut to crack in a market where the forces themselves have self imposed walls. Travel in India has traditionally been in the hands of the local travel agent, but with the internet explosion and the online travel revolution, things were looking to change, but with the current global crisis, things have again hit a roadblock. You decide, whether you want to wait for the roadblock to be removed or you would be game creating your own route to success through the corporate jungle

Profile of the author:

Kartik Kannan is an alumnus of Great Lakes, who passed out in 2008. He is working as a Product Manager in the Consumer Business wing of an Internet firm in Mumbai. Kartik's hobbies are travelling, writing on cricket, podcasting and meeting people from varied walks of life. To know him better and how he runs his life, a peep into <http://katchucrap.blogspot.com/> is recommended.

Rural Retail – Opportunities & Challenges – A marketer’s perspective



- Sriram D

Introduction

The global economic crises is a testing time for most countries, leave alone organizations. Recession is looming large, leading to stagnant demand and increasing unemployment in many countries. Purchasing power of consumers has reduced considerably, due to salary cuts, rising inflation and diminishing worth due to sliding stock markets. The situation in India too, is no different. Although not affected as much as the western economies, India is facing slow down in industrial growth (IIP for Aug 2008 – 1.3% vs July 2008 - 7.1%), lower than expected GDP growth (7 – 7.5%) and slow down in consumption.

It is a challenging time for marketers to achieve sales and profitability targets when most organizations are on cost reduction mode (e.g. reduced A&SP budgets) and wary customers are tightening their belts. Marketers are forced to relook into hitherto unfavourable and low potential market segments to meet their objectives.

“Organized retail” industry in India too is facing similar slow down.¹ Organizations, in their enthusiasm to garner first mover advantage, have invested on high cost real estate, extensive product categories, elaborate loyalty programs, supply chain/IT infrastructure, and are trying to squeeze maximum revenues out of a thrifty customer base. A review of the Indian retail market, would present a better perspective.

Retail industry in India

India is moving closer to become a trillion dollar economy. With 60% of the population in the age group of 15-60 years and more than 2/3rd of this group less than 35 years of age, it is clearly a young, growing and vibrant economy. The retail market is characterized by more than 12 million retail outlets, majority of which are the traditional “mom & pop” or “kirana” stores. The market share of organized retail out of the total retail market is currently close to 5% and is likely to double within the next three years.

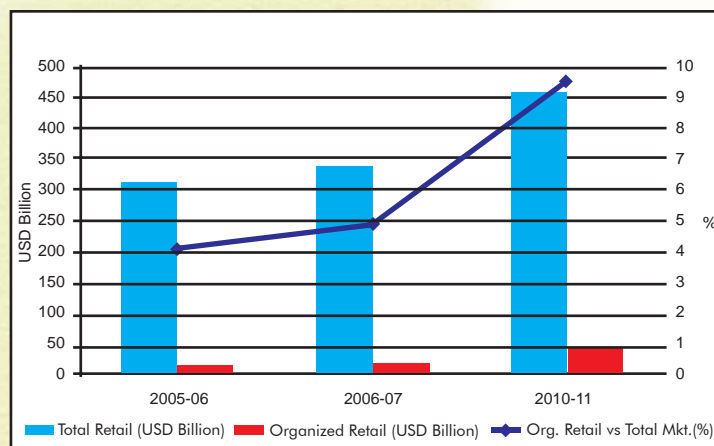


Fig.1 – Total Retail potential vs Organized Retail (Source: IBEF report on Indian Retail Industry)

1 - For the purpose of this article, Organized Retail is classified as single branded or multi branded, multiple categories, multi location outlets either owned or operated by a large organization or its franchisees.

Foods and Beverages, Clothing and Consumer durables emerge as the top three categories in the retail market.

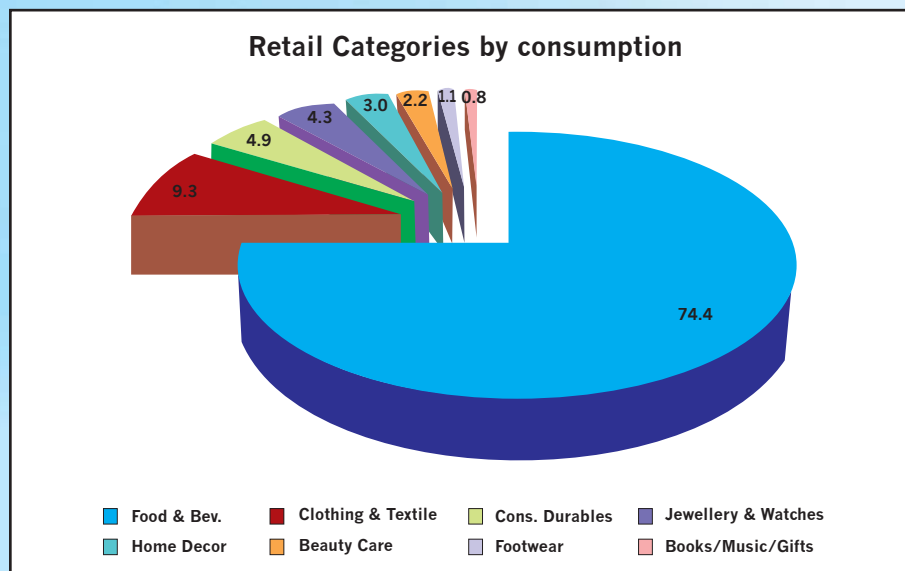


Fig.2 – Category wise consumption – Indian retail market (Source: IBEF report on Indian Retail Industry)

Modern retail with multiple formats like super markets and hypermarkets is all about:

- Retailers providing an extensive range of product categories under one roof to customers, wide variety of brands appealing to different segments, consistent sales promotion activities (“deals”) to maximize share of wallet, and added services like eateries and cinemas to provide a wholesome shopping experience.
- Burgeoning middle class trying to enjoy hedonic shopping experience and fulfil value for money deals.
- Emerging youth with high disposable income and a materialistic outlook, indulging in consumption to prove their new found status in the society.
- Super rich frequenting niche outlets to flaunt their wealth, be the early adopters and opinion leaders for brands, and more importantly, be a step ahead of others in their peer group.

On the other hand, suppliers to modern retail formats, find their margins squeezed by retailers trying to achieve economies of scale through price negotiations. Nevertheless, this arrangement provides enough scope for suppliers to keep their production lines running. In a growing economy, this is a “win-win” situation for everyone in the value chain. However, with the economic slowdown, the situation has turned turtle. The mall hopping, indulging consumers is curbing their shopping ambitions, albeit, temporarily.

In these times, manufacturers and organized retailers are faced with sagging sales, large overheads, reducing margins and fewer footfalls. Hitherto untapped customer segments and markets become worthwhile examining. Manufacturers / Retailers with diversified portfolio of markets & retail formats are in a better position. Bulk of retailers and manufacturers, however, have limited portfolio of customer / market segment diversification and have started developing alternate segments like institution selling, rural retailing, JVs with similar minded retailers, developing private labels etc. In this article, the discussion is restricted to rural retailing.

Rural retailing

With the exception of few manufacturers and fewer retailers, corporate India has ignored the rural markets. For most organizations, it is fashionable to state that they have a rural market initiative (without concrete action plans). Why is the rural market being talked about so much? Does it really matter to be present in rural India?

Yes. 70% of India's population lives in villages. More than 65% of rural families in 627,000 odd villages have average annual incomes less than Rs 90,000 per annum (combined income of all family members). The rural segment however, accounts for 55% of retail consumption of the country. The interesting fact is that 46% of all soft drinks, 49% of motorcycles and 59% of cigarettes are sold in rural India. No wonder, this has become an important segment for marketers. Although the combined purchasing power of rural India is high, their income sources are agricultural products, textile, rubber, mineral products, herbal products and cottage industry (toys, matches, beedis etc.). Rural per capita income has grown by 130% in the last decade. Combined with increased level of education and a young population, this segment, has the potential to overtake urban markets in terms of consumption.

Two organizations, who have focussed their attention on rural India and achieved success, are ITC & HUL. Through their rural initiatives, they have managed to penetrate the market, gained customer trust and are in a relatively comfortable position to buck the recessionary trends. A brief description of their initiatives is presented below:

e-Choupal & Choupal Sagar – Established initially as a sourcing centre for ITC's Agro Division, the initiative has expanded into a rural retail initiative. e-Choupal is an internet kiosk for sharing information with farmers regarding seed and produce prices, weather forecast, innovative farming methods etc. ITC has been successful in creating relationships and building trust with the farmer community. This idea has been expanded into Choupal Sagar, which is a rural retail hub, selling seeds, chemicals, fertilizers and other useful things for the farmer. ITC has been able to generate revenue of US\$ 23 million during 2005-06 from 14 Choupal Sagar outlets. The hub and spoke model of Choupal Sagar and e-Choupals have been successful. Although the revenues are small, compared to the overall turnover of ITC, it is a fine beginning, nevertheless.

Project Shakti – Launched in Andhra Pradesh by HUL in 2001, to penetrate and develop the rural markets, this initiative has been expanded to fourteen other states. This innovative concept uses women Self Help Groups (SHG) as entrepreneurs, and provides them sustained monthly income. Women spend their free time in propagating health and hygiene to inhabitants of their villages and in the process recommend/sell HUL products. Currently, close to 40,000 Shakti entrepreneurs are engaged in rural selling and this contributes to 15% of sales. HUL has expanded the concept to "iShakti", which provides IT based rural information service on education, vocational training, health & hygiene, life and general insurance etc. HUL has managed to shake off its dependence on Retail Stockists who used to service this segment, directly establish relationship with the consumer and have successfully gained their trust.

Buoyed by the success of the above ventures, other corporate are now looking at rural markets to improve revenues and spread their risks. Some of the initiatives of well known organizations in rural retailing is summarised below:

Organization / Brand	Rural Retail Initiative
DSCL – “Hariyali Kisan Bazaar”	<ul style="list-style-type: none"> ● 101 retail outlets, each spread over 3 to 4 acres ● Focused on rural population ● Farming & Consumer products, financial services, multi branded agricultural inputs, FMCG, durables, apparels, footwear, toys, general merchandise, insurance
Godrej – Future group JV – “Aadhaar”	<ul style="list-style-type: none"> ● 49 Aadhaar outlets in Maharashtra ● Crop advisory services, soil & water testing, output buyback, crop finance ● FMCG, footwear, apparel, agri inputs & animal feed
Indian Oil – “Kisan Seva Kendra”	<ul style="list-style-type: none"> ● Using real estate portion of rural fuel outlets to provide value added service ● Focus on fuel, agri. Produce & FMCG
ABN Amro, ICICI, HDFC	<ul style="list-style-type: none"> ● Income generation loans ● Micro enterprise loans ● Micro savings ● Safety nets – old age pension, micro insurance
Novartis	<ul style="list-style-type: none"> ● 24 products to be retailed through rural outlets ● Generics & healthcare OTC drugs
Nokia	<ul style="list-style-type: none"> ● Microfinance for mobile phones ● Developing language content, low cost mobiles
Coca Cola	<ul style="list-style-type: none"> ● Microfinance for mobile phones ● Developing language content, low cost mobiles
Hero Honda	<ul style="list-style-type: none"> ● Rural dealership for selling two wheelers
Tata – “Kisan Sansar”, Reliance Fresh	<ul style="list-style-type: none"> ● Rural formats to sell processed food, FMCG, apparels, footwear etc.

Clearly, rural retail is generating lot of interest amongst large organizations, multinationals and manufacturers, probably buoyed by the success of ITC & HUL. Some relevant questions that the emerging players need to address are:

- How many of these corporate initiatives are focussed on creating customer value?
- Are products & services designed to address the rural consumers’ needs?
- What would be a viable business model?

Factors that warrant deeper consideration to answer the above questions are – a) Market categorization, b) Relevant product / services categories to enter the rural market with, c) Viable business model, and d) Marketing philosophy. Without clear answers to the above questions, rural retail initiatives will just be ‘me-too’ ventures without sustainable competitive advantage.

Market categorization

Traditionally Indian markets have followed Socio-Economic Classification (SEC) to determine the market potential. Although SEC classification indicates market potential, it does not correlate between urban and rural population and is judgmental to an extent.

SEC Urban classification	A1, A2, B1, B2, C, D & E	Basis - Education x Occupation of Chief Wage Earner (CWE)
SEC Rural classification	R1, R2, R3 & R4	Basis - Education of CWE x Type of household (Pucca / Semi-pucca / kachcha)

Table 1 - SEC urban & rural classification

Based on IRS (Indian Readership Survey) data, Household Potential Index (HPI) has been developed by Hansa Research & MRUS, eliminating judgmental factors in classifying population. HPI is developed based on product penetration and higher scores are provided for less penetrated product categories (e.g. plasma TV). It also provides a basis for comparing Urban and Rural markets simultaneously, simplifying the marketer's segmentation problems to an extent. HPI indicates consumption intensity. A comparison of SEC & HPI scale is illustrated below:

SEC Category	Mean HPI	SEC Category	Mean HPI
A1	100.7	R1	16.1
A2	54.9	R2	7.3
B1	28.2	R3	4.1
B2	18.7	R4	2.5
C	11.9	R1 is similar to SEC B2 R2 & R3 are similar to SEC D & E respectively	
D	6.8		
E	4.4		

Table 2 – Comparison of SEC & HPI mean scores

For the purpose of market categorization, a combination of HPI & SEC scales provides a comparison between market potential and consumption intensity. However, a combination of HPI & SEC seem to categorize the market comprehensively and essentially, products / services can be designed to meet the needs of SEC A, SEC B and other categories, i.e. "niche", "superior" and "value for money" products/ services. Incidentally, 17% of the villages in India account for 50% of rural population and 60% of rural wealth. R1 & R2 rural markets would therefore constitute the target market for rural retailers.

Product / Service Categories

Rural markets are not mere agrarian markets. 35% of rural households are engaged in non-agriculture and are bigger per capita spenders than agriculture households. It would be grossly incorrect to either sell cheap, low quality products or to blindly extend the range of products / categories sold in urban markets. Rural retailers need to closely look at the priorities of the rural markets before finalizing the product / service mix. Some of the critical needs of rural markets are:

- Hygiene & health care (basic FMCG goods + OTC drugs)
- Clothing Financial products (micro finance, micro insurance)
- Basic durables
- Communication products (devices & services)
- Building materials, tools, tackles and implements

Business model

Business model needs to address questions regarding scope & scale of business, network establishment and sustenance costs, business profitability and a host of other relevant factors. Rural markets, being small and dispersed, does not have the potential to accommodate more than one rural retail outlet per village. Therefore, first mover advantage poses substantial hurdle for others to establish base. Between multiple outlets / formats of different players and an integrated format, integrated format makes more sense. Innovative business plans are required for rural markets. Joint ventures between manufacturers, service providers and organized retail companies, to establish outlets that act as one stop shop for consumers would result in cost /profit sharing for JVs. There are already indications of such models - DSCL & Godrej have already tied-up with banks and producers, and 'Aadhaar' itself is a JV between Godrej & Future Group. Economies of scale and scope are crucial factors for large retailers. Economies of scale are possible, due to centralized procurement systems. However, limited purchasing power of the target market constraints needs, and retailers find it difficult to achieve economies of scope. A single large retail format in a rural centre, with representation of major brands may still provide economies of scope to retailers, rather than separate outlets in villages. The JV model therefore, emerges as a viable business model for reaching rural customers. The first movers have a distinct advantage of cherry picking their markets, but latecomers need not despair. To address 100,000 villages is neither an easy task nor achievable by a single retailer. There is space for all players

Marketing Philosophy

ITC & HUL's success are not due to their distribution strength alone. Nurturing the market through customer awareness programs, product use education & innovative marketing schemes, these firms have gained customer's trust and are now well entrenched in the rural market. The key take away from the success of HUL & ITC is that rural marketing requires different mindset and thinking. What works in the urban / semi-urban market need not necessarily apply to rural markets. In addition to marketing mix variables, it is important to gain the trust of consumers, through value added services and patience is a desired virtue. Cultural factors too need consideration while designing the marketing mix.

Consumer Behaviour studies with specific focus on the rural consumer should be undertaken. Product & Service design should be need based & innovative including rural market specific SKUs and different packaging including automated vending machines (reduced price due to bulk pack differential). Value-in-use would be appreciated as compared to possession for certain goods. Rental models or common storage space could be encouraged for refrigerators, chillers and heaters. Value for money pricing, auctions, category based pricing are some of the pricing measures to be adopted. Promotions can include discount schemes and through local entertainment / cultural programs (e.g., Chaufulla, Jalsa etc.). Participation in rural 'haats' will ensure visibility and would be an important factor in generating trust. A challenging task would be 'Supply Chain Management'. Hub and Spoke models (R1/R2 rural markets or SEC C,D & E can be hubs to serve the rural markets), mobile retailing (regular market beats and milk runs) and rural distribution centres would optimize transportation cost for the retailers and benefit customers too. Rural retail centre design should be simple and utilitarian, including community halls and kitchens.

Good marketing mix would ensure purchase and customer satisfaction. But trust is generated through value added activities. These include information sharing with the rural population regarding weather, agricultural produce prices, farming technology etc.; rural outlets could be operated by farmer co-operatives; emergency services like ambulance, tele-medicine, doctor-on-call etc.; and product sourcing. In addition, rural retail outlets would provide direct employment, business process and technology training. Two crucial advantages accrue to the organization – 1) Rural retail provides an opportunity for organizations to directly procure raw materials from manufacturing centres and 2) more importantly, by providing earning opportunities, retailers make rural customers earn money and get a share of their wallet through goods and services.

To summarize, proper prioritization of the market, choosing the requisite product / service categories, designing an adequate marketing mix with value added services enables formation of trust and combined with a sound business model would be a success formula to popularize rural retailing in India. Incubating a value proposition with patience and involvement, would reap benefits in terms of a dedicated sourcing base, market share, trained manpower and insurance from fluctuating business cycles. Such rural retailing ventures can take on some of the burden of the Government, like public distribution, primary health care etc. and could be part of an organization's Corporate Social Responsibility.

The journey is hard, but the fruits of labour will be worthwhile, insulating companies from business cycles, as incomes are constant and an increasingly affluent rural market, will only, but, help improve the organization's fortunes and redefine the market place in the years to come. How many of the emerging rural retail initiatives will survive? Time will tell.

Profile of the Author

Sriram D is a marketing professional working in a leading private sector enterprise and has more than 18 years of marketing experience encompassing Automobile, TBA and POL industries. He is also a research scholar pursuing his Fellowship Program in Management (FPM) with specialization in Marketing, at XLRI, Jamshedpur.



Are you looking for a job or are you looking to make a difference?

- Anirvachan S. Vasan

“If the mind is empty, it is always ready for anything; it is open to everything. In the beginner's mind there are many possibilities, in the expert's mind there are few” Shunryu Suzuki Roshi, Zen Mind

“Do you want to spend the rest of your life selling sweet water or do you want a chance to change the world?” Steve Jobs persuading Pepsi's John Sculley to become Apple's CEO

As of writing this, the one word that has captured the imagination (and wallets) of the public is the downturn. Not a day passes when one is not inundated by headlines declaring how pink slips are the order of the day. Heart wrenching stories of how newly married couples suddenly find themselves without jobs are routine and it seems that everyone is equally affected, from CEOs to the local doodhwala.

Or are they?

There exists a bunch of people who are laughing their way to the bank, thinking to themselves “The downturn is the best thing that could have happened!” These are the people who have discovered or created alternative business opportunities in today's business ecosystem.

A typical job seeker's fortunes and his heart rate are linked to that of his industry. And it is seen that those among us who are truly happy are the ones who defy the odds and follow their heart. This bunch is the ones who don't work hard. They work smart. They look for gaps where they can add value and give it their best shot.

Necessity is the mother of invention. The downturn has opened the gates of enormous opportunity that are seen only by the keenest of eyes. Companies that are in the business of cost reduction are suddenly in greater demand, so are providers of low cost, high return services. The human mind has a knack of finding gaps, and the downturn has opened multiple avenues of opportunities. And once a gap is found, it might turn into an entire industry.

This was aptly proven when 3M first created the now ubiquitous post-it notes. The engineer who created it (by accident) faced much opposition as it was never clear what the newly developed weak adhesive would be useful for. Only after a few years did post-it notes become the phenomenon they are. Now, four decades after its creation, the little yellow notes are still going strong. It's interesting to note that the weak adhesive was already created, but it took a few years before someone figured out what problem it would solve. Similarly, there are ideas and answers floating around. All that's needed is figuring out where a solution can be plugged in.

India has only recently started thinking and dreaming big. Imaginers from IIMs and Great Lakes are taking the path less taken, and pursuing entrepreneurship. And there is no better time than now and no better place to be than India. The unique business landscape in the country is reasonably conducive to new business, and as a CEO in Singapore said “If it sells in Chennai, It'll sell in India. And if it sells in India, It'll sell anywhere in the world.”

Entrepreneurship is not the only alternative business opportunity. The software boom blinded many people from other equally enriching career opportunities. Sectors such as civil infrastructure are in great demand, and will be for a long time. One of India's most highly respected men, Dr Sreedharan, the brains behind the Delhi metro is in this sector. FMCG is always a viable option, and so are market research and other intellectually oriented firms. Entertainment is another industry that'll always be in demand, as will event management.

In a recent visit, I was stunned when I came to learn that a manufacturer made profits of five times his costs! This particular firm sold ball bearings, and while the CEO admits that the industry is not as glamorous as IT, the money is very good. This is a good example of an alternative business opportunity. Often, media attention on an industry, such as IT, blinds all other industries. Think of IT and ITES as the cricket of the employment world. A talented chess player may choose cricket as it's the "in" thing, but he'll do much better sticking to his strengths. It's not easy to look around for opportunities when the entire nation is cricket crazy. But go ahead and play chess anyway!

In any industry scenario, be it a downturn or upturn, the individuals who thrive are the ones who are in their careers because they love it. They aren't in it for the money or titles, but they do it because they enjoy it. Not surprisingly, they tend to earn a lot of money too. While exploring business opportunities, it's a good idea to ask yourself, "What do I naturally do well, and how can I turn it into a career?" And if the latter is not easy to answer, then there is in all likelihood an untapped industry waiting to be explored.

India today is fortunate to have a rich base of quality talent, a fact not lost to headhunters and top innovation firms abroad. India is now one of the fastest growing research destinations (There is a good chance that the chip powering the computer you are reading this on was designed in India, and so is its successor) in the world. Research is not the only booming sector; health tourism and food processing are showing strong growth too.

Computer gaming is one industry that has not been affected by the downturn. This is chiefly because gaming is a very cost effective means of entertainment. A high percentage of piracy (and lack of interest by the government to actively tackle it) discourages releases in India, but this does not stop India from being an untapped resource for game development. The industry has been slow to realize this, but outsourced game asset development (such as creation of visual and aural assets and textures) is the way forward for an industry that suffers from very long time-to-market.

In any troubled industry scenario, one of the first departments to face the axe is more often than not, marketing. The pressure on cutting costs, coupled with the usually long periods of time before investments show return combine to make marketing a prime candidate for serious downsizing. But firms that cut down on marketing are at a severe disadvantage if their rivals decide to cut costs elsewhere. And when the upturn hits, the rival will be in a much stronger position. This is especially potent for small and mid-sized businesses, where competition is fierce and marketing can mean the difference between survival and bankruptcy.

This is where laterally thinking companies such as CMO AXiS step in. As the only one of its kind, the firm outsources the strategic, tactical and operational marketing needs of other firms, and this leads to a large scale reduction of costs, without sacrificing the impact of a marketing program. The client also saves on training and development costs by leveraging the expertise of seasoned marketers. Such movements are gaining momentum in an age when cost reduction is essential, and this saved cost can be passed on to the customer, becoming a source of competitive advantage. And in the long run, the benefits of marketing always more than make up for their cost. After all, it is so much better for the client to come to the business, rather than the business chasing the client.

BPO ushered in a revolution and has led to creation of wealth at the grassroots level. The next revolutionary idea is just a thought away. Ultimately, so long as you enable people to do things cheaper, there will always be customers.

– Anirvachan S Vasan

Profile of the author

A top ranked alumnus of Stansfield School of Business (Singapore) with a PG diploma in International Business Management and an electronics graduate from Chennai, Anirvachan is presently working as a Marketing Program Specialist at CMO AXiS, a pioneer in the Marketing Process Outsourcing arena. He can be contacted at anirvachan@gmail.com.



Microfinance and Financial Inclusion

- P.B. Lakshmikanth

Microfinance as a concept was initially conceptualized and executed by Dr. Mohammed Yunus, a Professor of economics from Chittagong University, Bangladesh. Dr. Yunus visited many villages to see some of the poorest households as part of his poverty reduction project. He saw that poor people often approach money lenders, many of whom charge exorbitant interest rates despite collateral. It dawned on him that these poor people especially women who do not have access to banking facilities if provided micro-credit towards an income generating activities could be profitable and spur the development of entrepreneurship and perhaps attempt at reducing poverty. He provided micro-loans to 42 people out of his own savings and made a small profit out of this.

Microcredit can be defined as the “providing of small loans to customers who are not eligible for mainstream banking products and services”. Financial solutions provided towards income generating activities leads to an overall economic improvement of customers and stakeholders. Microfinance can be defined as “providing of financial solutions ranging from credit needs, savings, insurance and remittance management to poor people who are outside the banking sector”. Typically, microfinance institutions (MFI’s) are designed as Co-operative societies, Non-Governmental Organizations (NGO), Self-Help Groups (SHG) and more recently, Non-banking financial institutions (NBFI) with corporate structure.

Success of Microfinance in Bangladesh

- Since the first micro-loans were made to 42 desperately poor people in 1974, the 20 largest MFI’s in Bangladesh have an outreach of over 21 million clients affecting over 105 million family members in a country of 140 million!
- By 2004, Bangladesh had already achieved the millennium development goals on gender parity at the primary and secondary educational levels
- The fertility rate of Bangladesh has fallen from 6.4 in 1970 to 3.2 in 2004
- The number of deaths of children under five per 1000 live births reduced from 239 in 1970 to 77 in 2004
- Since 1976, more than 13000 women have been elected to local government positions

Microfinance lending mechanism

- At the core of microfinance, is the provision of loans through group based methodology. Over the years, in addition to the Grameen model, the SHG model has also evolved. MFI’s have adopted either one or in some cases both, as the lending mechanism. Some MFI’s also use individual lending.
- The Grameen method or Joint liability group (JLG) comprises a group of 5 who guarantee each other’s loans which are provided by a MFI. This method originated in Bangladesh where it was configured into a highly standardized loan product that allowed serving cost-efficiently poor people with small loan needs. This method approaches the entrepreneurial poor who invest ever growing loans into their small scale businesses

The SHG has between 10 and 20 members who pool savings and lend among themselves. It was conceived by NGO's like MYRADA and PRADAN during the 80's.

Microfinance Globally

Following are some statistics from Microfinance Information eXchange (MIX), which has over 1000 MFI's, over hundred investors and 165 partners. From a very humble beginning in 1976 by Dr. Yunus, as of December 2006:

- Total Assets of MFI globally is US \$ 22.44 bn
- More than 10000 MFI's operating globally
- 9% of World's MFI's account for 75% of the borrowers
- Repayment rate is close to 98%
- Outreach of 133 million customers
- Over 92 million were among the poorest and took their first loan
- Of the 92 million, 79 million were women
- Assuming five in a family, microfinance has impacted over 464 million people!
- Microfinance lending has posted a 34% CAGR since 1997

Regional Breakdown of Microfinance Data

Region	Number of programs reporting	Number of total clients in 2005	Number of total clients in 2006	Number of poorest clients in 2005	Number of poorest clients in 2006	Number of poorest women clients in 2005	Number of poorest women clients in 2006
Sub-Saharan							
Africa	970	7,429,730	8,411,416	5,380,680	6,182,812	3,422,825	4,036,017
Asia and the Pacific							
Asia and the Pacific	1,677	96,689,252	112,714,909	74,330,516	83,755,659	63,934,812	72,934,477
Latin America & Caribbean							
Latin America & Caribbean	579	4,409,093	6,755,569	1,760,405	1,978,145	1,258,668	1,384,338
Middle East & North Africa							
Middle East & North Africa	30	1,287,318	1,722,274	387,951	755,682	321,004	621,111
Developing World Totals							
Developing World Totals	3,256	109,815,393	129,604,168	81,859,552	92,672,298	68,937,309	78,975,943
North America & Western Europe							
North America & Western Europe	39	55,707	54,466	13,318	25,265	7,862	11,765
Eastern Europe and Central Asia							
Eastern Europe and Central Asia	21	3,390,290	3,372,280	76,166	225,011	47,856	142,873
Industrialized World Totals							
Industrialized World Totals	60	3,445,997	3,426,746	89,484	250,276	55,718	154,638
Global Totals							
Global Totals	3,316	113,261,390	133,030,913	81,949,036	92,922,574	68,993,027	79,130,581

Microfinance and Financial Inclusion in India

Some providers started microfinance services way back in the 70's – SEWA Bank in Gujarat but the microfinance story in India gained a lot of momentum in the 90's with marquee institutions like Basix, Cashpor, SHARE, SKS Microfinance, Bandhan and the creation of their national association – Sa-Dhan. Various forms of structure are present – Society, Trust, Co-operative, Mutually Aided Co-operative Society (Only in AP), Section 25 companies, NBFC and Local Area Bank (LAB).

In India, the top 6 MFI's are :-

S. No.	MFI	No. of Districts	No. of Poor Districts	Outreach ('000)	Loan Portfolio (Rs. Mu)	Method*
1.	SKS Microfinance	215	133	1,879	7,818	JLG
2.	Spandana	74	38	1,188	7,284	JLG, IL
3.	SHARE Microfin	N.A	N.A	1,289	5,952	JLG, IL
4.	SKDRDP	5	2	574	3,370	SHG
5.	Asmitha Microfin Ltd	59	32	701	3,359	JLG, IL
6.	Bandhan Konnagar	28	20	757	2,782	IL

JLG – Joint Liability Group; IL – Individual Lending; SHG – Self Help Group

Sa-Dhan India, the Association of Community Development Financial Institutions which originated in 1999 has helped bring a structure to MFI's in India. Sa-Dhan has instituted standards like code of conduct, lending practices, transparency, training programs to ensure members follow best practices. Sa-Dhan has joined hands with Institute of Chartered Accountants of India (ICAI) to develop accounting standards for the MFI sector. Sa-Dhan has partnered with RBI to address the regulators' concerns in terms of interest rates, lending practices and customer service.

The Union Government with the support of RBI has setup a committee under the Chairmanship of former RBI Governor – Dr. C. Rangarajan to advise the government on financial inclusion of the poor. Efforts at extending financial inclusion in India have been focused so far largely on savings products like no-frills bank accounts. In future, financial inclusion is set to include services like easier and low cost access to payment systems for money transfer, utility payment and other daily transactions. Steps are being taken to bring more financial solutions like low-cost housing, micro-insurance, micro-mutual funds etc. The RBI has recently released guidelines for mobile banking and with the explosive growth in mobiles, this is a significant step for financial inclusion.

M-CRIL, a rating agency that caters exclusively to microfinance and social enterprises performs rating services and has recently developed a social performance assessment. As of October 2008, M-CRIL has conducted over 480 assessments in 27 countries. M-CRIL has setup an online private placement platform through a group company – EDA Rural that helps to bring together social enterprises, institutional lenders and investors worldwide to communicate with one another, initiate financial transactions and analyze market trends.

Private Equity players like Caspian Funds, Lok Capital, Aavishkaar Goodwell, Unitus and philanthropic organizations like Bill & Melinda Gates Foundation (Gates Foundation), Michael & Susan Dell Foundation (MSDF) have helped usher in a new stream of funding bring more structure and governance to microfinance players. Mainstream PE players like Sequoia Capital have also made investments in this sector. Private equity players

partner MFI's by funding and helping execute their business plans and adopt transparency in business practices through good governance. With the RBI raising the Capital Risk Adequacy Ratio (CRAR) to 15% for NBFC by March 2010, it has provided a significant boost for PE investment in MFI's.

Established MFI's in India like SKS Microfinance, Spandana (Both Hyderabad), Madura (Chennai), Ujjivan, Janalakshmi (Both Bangalore) and startup's like Arohan (Kolkata), Annapurna (AP), Equitas (Chennai) have all embraced private equity. Caspian funds along with other investors like Legatum Capital recently concluded an investment in technology startup – A Little World (ALW), a payment solutions company which uses technologies like Near Field Communication (NFC), RFID and Biometric authorization to reach out to under-served population in India by providing access to banking and financial services at their doorstep. Like SKS Microfinance, Spandana has very recently concluded Rs 100 Cr securitization deal with ICICI Bank securitizing all future receivables from its portfolio thereby using their balance sheet for raising capital and fuel expansion plans.

Once the securities markets tide over the current crisis, leading MFI's like SKS Microfinance and Spandana are expected to tap the capital markets through IPO bringing more focus and attention to this sunrise sector. The success of these companies in the capital market will pave the way for more MFI's to tap the capital markets and provide an exit to PE players. Globally, there are three MFI's listed – Equity Bank, Kenya; Bank Rakyat, Indonesia and Banco Compartamos, Mexico.

Opportunities for Business Management Students

Microfinance as a stream of financial services in India has grown by leaps and bounds over the past decade and more so over the last 2-3 years. With the Dr. Yunus receiving the coveted Nobel for Peace in 2006, professionals who were working in microfinance companies are setting up their own microfinance institutions and sow seeds of entrepreneurship and expand microfinance penetration. The best part is.... the market is still in growth mode!

Unlike mainstream banking, where technology companies have developed a core banking solutions for banks, there is no core banking solution which has demonstrated yet, the ability to effectively execute various activities of MFI's. As MFI's go more rural to expand their reach, bottlenecks in terms of communication (telecom and internet), power, roads are bound to pose significant challenges. Innovative strategies to address these issues at low-cost are key to the success of a MFI.

Many MFI's are in growth mode and need managerial bandwidth to manage operations. The success of a MFI lies in execution of its operations. MFI's need to constantly aim to reduce their cost of operations and build an efficient and robust operating system through streamlining of work processes, efficient use of technology to reach new customers, and maintenance of enormous data for research. There are opportunities in the credit and risk management side of lending where you can use existing customer base for developing new products and services, credit appraisal, monitor portfolio in terms of collection, NPA management etc.

There are challenges in raising funds at the lowest cost as funding to microfinance institutions has been predominantly through bank loans which due to current economic situations has been a challenge. Banks and financial institutions have sanctioned loans but are restricting disbursement or have increased interest rates. With the entry of private equity over the last 3 years, there has been an alternative channel to funding through equity and quasi-equity financing.

Profile of the Author

Lakshmikant, P.B. works with Caspian Advisors a PE fund management company based in Hyderabad as Manager – Investment services. Caspian is fund manager to India's first private equity fund focused on microfinance – \$ 20 Mn Bellwether Microfinance Fund and advisor to \$70 Mn India Financial Inclusion Fund



creADivity – Bringing SME Advertising to Forefront

- Sitashwa Srivastava

Market information says India has more than a million SMEs!

There were times when creative advertising was the bastion of the rich and mighty companies - from radio to print to TV (all pretty costly media spaces), you could see consumer goods and services companies dominate customer communications. Not that SMEs did not need to talk to their customers as much, they just could not afford broadcasting of messages. But then the advent of internet and mobile telephony gave a great kick to low budget “advertiZing”. Suddenly broadcasting has become affordable and doing it via mobile and internet has begun to find favor over TV, print and radio. What this has, effectively, done is that it has expanded Indian advertising market by an order of magnitude never imagined before. So now is the time small and medium businesses can easily go beyond classified ads and venture into more creative advertising.

Did we say “easily” :)? Well, advertising has always been an important mode for companies to express themselves to their target audience but it’s only recently that smaller companies and startups in India have caught on the ad fever. Media space has certainly become affordable and large but what about the creative wisdom needed to utilize this space well? Companies did plunge into the feverish wave, but only to realize that maintaining a balance between quality and cost was tough for them – they didn’t have the luxury of a hefty revenue bank to hire graduates from the best design schools or hire the best advertising agencies.

On the other hand there are more than 2000 design colleges in India. As a result there have always been many creatives who could not find a vent to their creative fluids and had to compromise by doing nothing but making plain vanilla logos or presentations. So, quite apparently, there is a mismatch between creative costs and creative needs leaving both the sides thirsty! This may sound cliched but the market is thirsty for low-cost-high-quality creative solutions. The answer to this dilemma, we hope, is a platform that integrates the capabilities of the designers with facilities that can help them address real-life business issues. That is the thought with which creADivity was born – a technology based platform to fulfill marketing and advertising needs of SMEs and Startups and provide a stage for creatives to showcase their creative prowess, exchange knowledge and make most of the challenging opportunities in the market.

creADivity brings the vast creative potential of Creative Enthusiasts to profitably serve the advertising needs of SMEs / non-corporate organizations... to start with; in future, it aspires to compete with the established ad industry. It intends to offer the facility of creating virtual advertising organizations to aspiring account managers who could then engage with their clients via creADivity. With more than 1000 creatives on one side of the market place, SMEs would now have access to 1000+ creative brains solving and preparing solutions for their marketing and creative needs – there will be very few companies which bring so many heads together for a small set of problems. But more importantly creADivity is bringing a new and untapped employment opportunity for many of the creatives who have not had the chance to hone their skills. creADivity through its technology platform not only brings opportunities in Indian market but also provides a chance to serve global clients.

The market that creADivity is targeting has huge potential and majorly because it is untapped and hence creADivity is playing another important role of creating awareness for many more and hence creating newer business opportunities in India. The last six months have been particularly good for creADivity, only proving the

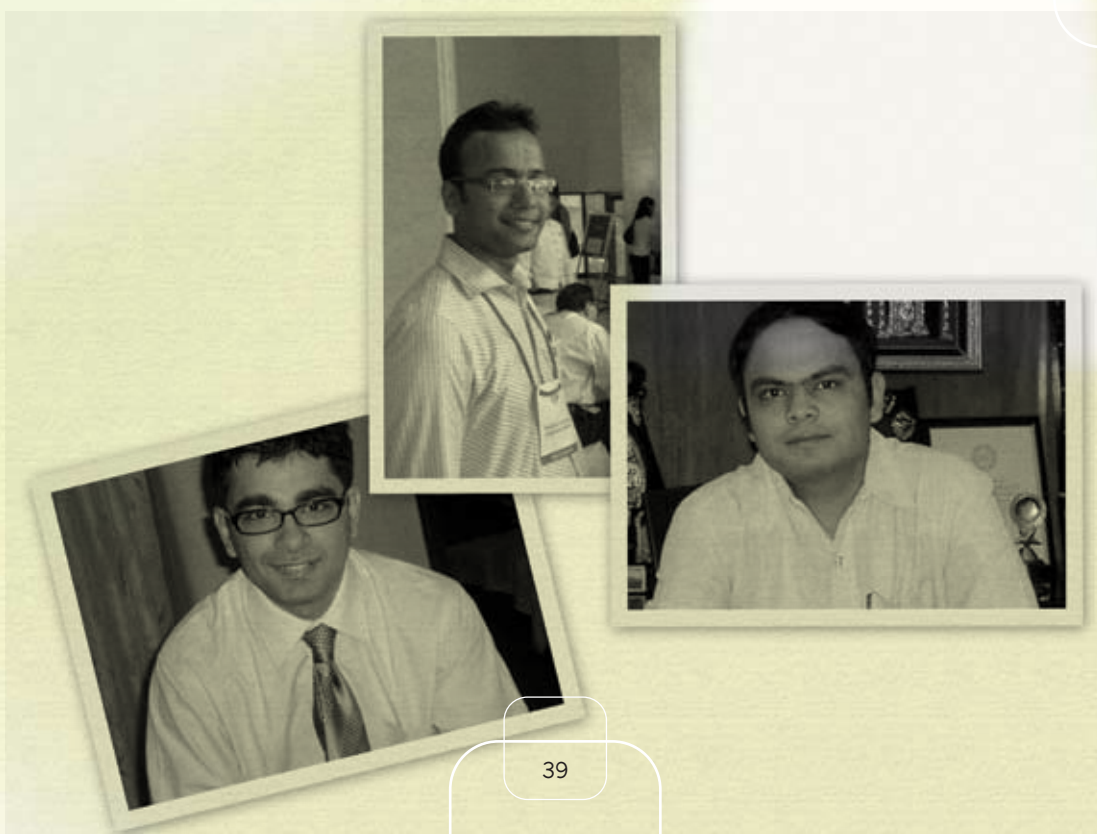
fact that opportunities exist. On one hand at the TiE Entrepreneurial Accelerated Program we were selected in top 3 and on the other hand we were able to acquire our initial few clients – not to mention managing the creative needs for the TiE Entrepreneurial Summit 2008 to be held in December.

Everything is, of course, not as rosy as it sounds! The big challenge in operating in this field is the unorganized nature of the market and the 'unflinching' inconsistency of the creative mind. These present a management problem bigger than most. Talking to the right customer is just as difficult as giving enough encouragement to the creative. The method we have adopted translates into a three pronged strategy:

- Develop a large Body of Knowledge for the benefit (and with the help) of the creative by partnering with academic institutions
- Encourage the entrepreneurial streak in the account managerial workforce of the industry to go out and fetch clients with the backing of creADivity
- Establish a creative and competitive environment on the platform to ensure quality of solutions
- Creating the "crelDea Lab" – a virtual lab to test the advertising plans for SMEs before putting the plans to action

This is just one way of going about talking to creatives and enterprises. Only time will tell how well this succeeds in the market, but certainly there are signs of this being an example of "Lateral Planning". But platforms like creADivity will bring many creatives together to make a career out of working with global clients from their own places and also build and hone their skills by having discussions amongst the virtual group. Not only this, creADivity and similar platforms will bring a sense of competition amongst SMEs and bring them out of the silos to make them bigger players and help them understand the importance of advertising - in a way create further career opportunities.

Information: In July this year (2008) creADivity won a place in the Entrepreneurial Acceleration Program (EAP) organized by The Indus Entrepreneurs (TiE), making creADivity a TiE-EAP venture. They've got excellent support from TiE in terms of contacts and opportunities for partnerships and business, have started delivering work and have started to dream big! For more go to www.creadivity.com





Redistributing Opportunities

- Interview with Nandini Narula

“Men make history, and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.”

Harry S Truman said inspiring words; it explains so well to the ideology of GreenMango.

Think about the increasing urbanization and more and more busy life; fixing a leaking tap of kitchen or finding a carpenter for minor modification at home, all in a city where you landed a few months back from your onsite assignment.

It was not the central idea behind plantation of GreenMango for its entrepreneurs last year. They were motivated to empower the skillful people who could otherwise find it tough to reach the level of success they deserve. GreenMango levels the playing field for poor entrepreneurs to compete with other local businesses. The company is founded on the principles of generating a return for its investors, providing a positive work experience for its employees, and making a positive and permanent socio-economic impact on its customers. We got the opportunity to talk to Ms. Nandini Narula, partnering business with Ms. Yasmina McCarty, to help the locals to grow their businesses.

Gravity: To start with, tell us about the plantation of GreenMango Tree and the concept of your start up.

Nandini: GreenMango was co-founded by two of us, myself and my business partner Yasmina McCarty. Both of us worked together in the field of microfinance, at an organization called Women’s World Banking (WWB). There, we worked with microfinance institutions all over the world to help them increase their outreach to low-income entrepreneurs. Prior to our work in the microfinance sector, Yasmina was in the marketing industry and I was in the technology sector in Silicon Valley. We met at WWB, became friends, and shared a common interest in social enterprise.

After a combined 8 years working in more than 10 countries helping low-income entrepreneurs access financial services for their businesses, we grew increasingly frustrated to find that so many smart, hard-working microentrepreneurs struggled to succeed financially. A woman, Malou’s story particularly touched us. For the past 15 years, Malou Bacani has sold green mangos in Baguio City where Yasmina grew up. Yasmina used to see her everyday on her way to school. Malou worked 10 hours a day, 7 days a week, but still struggled to save enough money to send her daughter to school.

This summer, we went to Hyderabad to conduct research with other microentrepreneurs and the people who use their products/services to find a solution for her. The entrepreneurs confirmed our hypothesis: one of their biggest hurdles to growth is finding new customers. Traditional sales and marketing channels are too expensive for small businesses so they rely on “word-of-mouth” referrals and wait for customers to find them. Without marketing support, microentrepreneurs are essentially invisible to many potential customers. We designed GreenMango to address this challenge, to help entrepreneurs like Malou increase their earning potential.

Gravity: What specific challenges you faced setting up the business? What was the motivation for you to keep going?

Nandini: Starting any business is hard work. From a business perspective, I would say managing growth is one of our key challenges – designing operations and systems that are scalable and growth-oriented on a start-up budget has not been an easy task. From a personal perspective, for both Yasmina and me, balancing work with the other parts of our lives is an ongoing challenge.

We stay motivated when faced with obstacles thanks to our growing, energetic, loyal and passionate GreenMango team and our deserving customers. They remind us everyday of why we do what we do.

Gravity: What is the operating model of GreenMango?

Nandini: The GreenMango marketplace provides detailed business listings for local service providers. The company's multiple access points is what makes us unique – our platform is accessible to everyone from the online to the offline, from the rich to the poor. Our on-the-ground sales force continuously combs streets and alleys to create an extensive listing of service providers. Each service provider builds a GreenMango profile that includes contact information, services offered, years of experience and customer reviews. Customers can search through these profiles using the online interface at www.GreenMango.co.in or contact the call center to have an associate help them with their search. The company generates revenue through list fees from the small businesses, premium services for the customers, and online advertising.

Gravity: What is the response of stakeholders of your model? How do you track the benefits that are delivered to them?

Nandini: All the feedback and response has been very, very encouraging. On the vendor side, we've acquired close to 15,000 businesses on our site and that number increases every day. It's very gratifying to be able to provide these business owners an opportunity to market their skills and experience to thousands of potential customers online – especially home-based businesses that are otherwise essentially invisible to their potential customers. We provide a good low cost option for them to position themselves in the market against other advertising models like billboards. Our expectation is any vendor who uses GreenMango will benefit by way of increased income, more new customers and even premium charges depending on the type of customer and service.

On the shopper's side people are equally excited to finally have an online marketplace where they can find all of the services they need. Not only can they find local businesses on our platform, but they can also rate and review them and share their experiences with their friends and family.

Gravity: How do you see the future from here? Do you plan to widen your spectrum in future or you plan to continue focusing on Hyderabad?

Nandini: The market gap between customers and low income service providers is not a phenomenon unique to Hyderabad or even India. We have first-hand experience working in a number of other countries that have similarly large, but disconnected informal sectors.

We are planning to cover more cities across India and across the globe to provide opportunities to low-income business owners. Our site will also become increasingly interactive, allowing business owners to own their profile pages and truly use them as their virtual storefronts. The possibilities are enormous. There is great potential that is there to be tapped in the future. I'm sure as we go along, more value will be unlocked from it for our stakeholders.

Gravity: What advice would you like to give to the young entrepreneurs for startups?

Nandini: I hope more young professionals in India take the risk and jump into an entrepreneurial venture! It is absolutely the greatest learning experience you could ever have – no matter whether the business fails or succeeds. Of course, it is risky and it is hard to give up a stable, comfortable salary and take on something of your own where nothing is guaranteed. But if you are passionate about creating something of your own, about building a business from the ground up...and if you are willing to face the obstacles and challenges that inevitably come with being an entrepreneur, then I think it's a risk worth taking.

We think the following quote by T.E. Lawrence captures it beautifully:

"All men dream but not equally. Those who dream by night in the dusty recesses of their minds wake in the day to find that it was vanity; but the dreamers of the day are dangerous men, for they may act their dream with open eyes to make it possible."

- Based on the conversation with Jai Agarwal

Information: GreenMango is a for-profit company with a social objective of increasing the income of low-income entrepreneurs. By bringing these small businesses online and giving them the power to market and promote themselves, Please see www.greenmango.co.in for more information



Good Idea, Bad Practice: Biofuel

- Sunita Narain

Now that the reality of climate change has been accepted even by its strongest sceptics, there is a rush to find answers. The latest buzz is to substitute the use of greenhouse gas-emitting fossil fuels with biofuels—fuel processed from plants. Unfortunately, the way we are going about implementing this “good” idea could mean we are headed from the frying pan to the fire.

There are two kinds of biofuel: ethanol, processed from sugarcane or corn, and biodiesel, made from biomass. Climate-savvy Europe gave the first push to biofuel, mandating they should contribute 6 per cent of fuels used in vehicles by 2010 and 10 per cent by 2020. The bulk of biodiesel comes from domestically grown rapeseed. But to meet its growing needs, it is looking at importing soybean-based fuel from Brazil and Argentina, and palm oil from Indonesia and Malaysia.

US president George Bush has called on his country to produce 132 billion litres of biofuel by 2017, to cut dependence on foreign fuel. The US’s favorite biofuel is ethanol, which it produces from corn starch. Brazil, the world’s largest ethanol producer, mostly uses sugarcane. It is estimated that ethanol plants will burn up to half of the US’s domestic corn supplies in the coming few years. In addition, its biofuel industry is looking to make fuel out of soya and other crops to feed the automobile industry’s growing hunger.

Already, the repercussions of this switch are beginning to show. Late last year, Mexico saw its tortilla wars, as people found the price of their staple—corn—had doubled. The hike was a result of the crop’s new market as a source of vehicle fuel and the control over the crop and its uses by corporate USA. In this case, one company, Archer Daniels Midlands, has dominant interests in the corn and wheat market and is the largest ethanol processor in the region. In addition, it has a financial stake in a Mexican company that makes tortillas and refines wheat. In other words, the company benefits when corn price increases and consumers switch to wheat. Or when the switch takes place from food to fuel, they benefit. Similarly, Cargill, the agribusiness multinational, is now the big name in the biofuel market. In this scenario, prices of other food commodities—wheat, soya, palm oil—are rising as well, in turn, impacting the poorest consumers globally. The projections are that food prices will increase between 20-40 per cent in the next 10 years or so because of this switchover.

The problem is compounded by the fact that this “switch” will do little to avert climate change. It is clear that all the biofuel in the world will be a blip on the total consumption of fossil fuel. In the US, for instance, it is agreed that if the entire corn crop is used for ethanol, it can only replace 12 per cent of current gasoline—petrol—used in the country. A recent paper in the us journal Foreign Affairs estimates that filling a 95-litre fuel tank with pure ethanol will require about 200 kg of corn, which has enough calories to feed a person for a year.

If we factor in the fuel inputs that go into converting biomass to energy—from diesel to run tractors, natural gas to make fertilizers, fuel to run refineries—biofuel is not an energy-efficient option. It is estimated that roughly 20 per cent of corn-made ethanol is ‘new’ energy. This does not account for the water it will take to grow this new crop. There is also evidence that rainforests will be cut to expand the cultivation of soya, sugarcane and palm oil, which in turn will exacerbate climate change.

Don't get me wrong: I am in favor of biofuel. But the question we need to ask is how to use it to reduce greenhouse gas emissions. Currently, though we are only interested in maximizing corporate profits, we believe rather naively that social objectives are being met.

Firstly, let us be clear that biofuels cannot substitute fossil fuels; but they can make a difference if we begin to limit the consumption of the latter. If this is the case, governments should not provide subsidies to grow crops for biofuel, as is being done in the US and Europe, but spend to limit their fuel consumption by reducing the sheer numbers of vehicles on their roads. If this is done, biofuels, which are renewable and emit less greenhouse gases, will make a difference. Otherwise, we are only fooling ourselves.

Secondly, the question is where will the biofuels be used? Let us be clear that the opportunity for a massive biofuel revolution is not in the rich world's cities, to run vehicles—but in the grid-unconnected world of Indian or African villages. It is here that there is a scarcity of energy—electricity to power homes, fuel to cook, to run generator sets to pump water and to run vehicles. It is also here that the use of fossil fuels will grow because there is no alternative.

Instead of bringing fossil fuel long distances to feed this market, this part of the world can leapfrog to a new energy future—from no fuel to the most advanced fuel. The biofuel can come from non-edible tree crops-jatropha in India, for example—grown on wasteland, which will also employ people.

This fuel market will demand a different business model. It cannot be conducted on the basis of the so-called free market model, which is based on economies of scale and, therefore, demands consolidation and leads to uncompetitive practices. In today's model, a company will grow the crops, extract the oil, transport it first to refineries and then back to consumers.

The new generation biofuel business needs a model of distributed growth in which we have millions of growers and millions of distributors and millions of users. Remember, climate change is not a technological fix but a political challenge. Biofuel is part of a new future.

- Sunita Narain

Profile of the Author

Sunita Narain has been with the Centre for Science and Environment since 1982. In 2003 and 2004, under Narain's direction, the Centre analysed bottled water and then carbonated beverages for pesticide content. The JPC gave its report in February 2004, endorsing the findings of CSE and recommending wide ranging reform in food safety for the country.



Indian Maritime Industry - A need to wake up.

- Mukul Malik and Gaurav Saxena



Indian maritime industry is the world's oldest, dating back to 2400 BC, and had its prominent centre at Lothal. It was a vital and thriving trade centre in ancient times. So how it is now justified writing an article on Maritime sector in relation to the theme 'Alternative Business Opportunities for India' when this sector was always existing? This is the answer we want to give through this article.

Maritime Industry - Present Scenario

About 95% by volume and 70% by value of the country's international trade relies upon maritime transport. India has a coastline of about 7517 Km dotted with 12 Major Ports and 148 Minor and Intermediate Ports. Twelve major ports are within the administrative control of the Central Government. All other ports (minor ports) are under the jurisdiction of the respective State Governments. The total volume of traffic handled by all Indian ports during 2007-08 was 700 MMT (Million Metric Tonnes) and the overall projected traffic for 2011-12 is 1009 MMT. At present India has 23 shipyards, of which 7 are under administrative control of central Government, 2 with the State Governments and rest in the private sector. India's shipyards have a cargo carrying capacity of 2.8 million tons and are building (as at Feb 2008) 245 ships of various sizes valued at more than Rs 200 billion. A few of the prominent shipyards in India are Bharti Shipyard, ABG Shipyard, Hindustan Shipyard, Mazagaon Dock, and Cochin Shipyard. The country has the largest Merchant Shipping fleet (879 ships as on Jun' 08) among the developing countries and is ranked 17th in the World. We will analyze these different segments separately.

PORTS

Marred by Poor Productivity

Though efficiency has improved in the last decade, the productivity of Indian ports is poor when compared with other international ports.

The main factors that have led to inefficiencies in the Indian ports are:

- Most major ports were originally designed to handle specific categories of cargo which have declined in time while other types of cargoes gained importance.
- Equipment utilisation is very poor both because equipment is obsolete and poorly maintained.
- Over staffing at Indian ports remains rampant and productivity indicators in respect of cargo and equipment handling continue to be poor.
- Documentary procedures relating to cargo handling such as customs clearance requirements are unduly complicated and time consuming. Electronic document processing is still to be introduced in all the ports.
- Port access facilities and arrangements for moving inbound and outbound cargo are inadequate and unsatisfactory.

Impacts on Supply Chain

Inter-port and intra-port competition, which have been conducive to substantial productivity increases in other countries, are absent in India due to poor inland connectivity and a policy regime that protected domestic ports against competitive pressures. The consequences of these various shortcomings for the Indian economy are severe.

Few large liner ships are willing to call on Indian ports as they cannot afford to accept the long waiting times. Indian container cargo is transshipped in Colombo, Dubai or Singapore resulting in additional costs and transit times. Indian exporters are, therefore, operating on the basis of substantial buffer stocks which also make them less competitive. It has been estimated that the annual incidence of these various factors such as demurrage charges, transshipment costs, pre-berthing delays and vessel turn around time could be as expensive as US \$ 1.5 billion per annum. Ultimately, these costs have to be borne by the end user, raising the costs of India's exports in international markets and the prices of imports for the Indian economy.

Present Condition

The traffic at major ports has been rising consistently. The growth registered in Major Ports is as follows:

1950-51 and 1980-81	(30 Years)	+ 61 Million Tonnes
1980-81 and 1990-91	(10 Years)	+ 72 Million Tonnes
1990-91 and 2000-01	(10 Years)	+ 217 Million Tonnes
2000-01 and 2005-06	(6 Years)	+ 207 Million Tonnes

The growth achieved during 1991-2001 was due to the liberalization process initiated by the Government in the 1990's. It became imperative for ports to critically evaluate their infrastructure requirement to sustain the momentum of growth and to reduce congestion, cost and delays. Constraints on public financing forced the Government to seek ways of increasing private participation for investment in port infrastructure, facilities and in the provision of port services. Accordingly, private sector participation guidelines were formulated in 1996 with an objective of supplementing scarce public resources, improving the efficiency of various ports services and bringing about competition amongst the ports. Another set of guidelines was issued in 1998 for private sector participation in ports through Joint Ventures and Foreign Collaborations.

Projections

Compared to the actual traffic of 520 MMT at the major ports (Central Government undertakings) in 2007-08, the projected traffic to be handled in the year 2011-12 would be 708 MMT. Keeping in view the need to provide for buffer capacity and seasonal variations, a capacity of 1002, MMT would be required at Major Ports by 2011-12, as compared to the existing capacity of 456 MMT. A capacity addition of 546 MMT would, therefore, be required during the period 2006-07 to 2011-12.

Development of Major Ports would require an investment of Rs. 57,452 cr. between 2006-07 and 2011-12 while development of other ports (i.e. ports not owned by the Central Government) would require Rs. 35,933 cr. over the same period, aggregating to Rs. 93,385 cr. Of this, an investment of approximately Rs. 68,835 cr. is envisaged from PPPs.

SHIP BUILDING

Uncompetitiveness

Ship building is yet another domain where India has tremendous scope for improvement. Though 90% of Indian trade is carried out through sea, Indian government has not been able to realize the importance of setting a right maritime infrastructure for a long time. Due to lack of Governmental support, multiplicity of taxes, high cost of financing, high input cost of materials, rigid labour laws and unfriendly regulations, India has lost the competitive edge in shipbuilding in the international market. Shipbuilding nations around the world have been enjoying subsidy as high as 40 per cent from their respective governments on new building cost. This made Indian shipyards uncompetitive in the global market. India owns more than 500 vessels but only 11 per cent of the total fleet is built in our yards. Indian shipyards have a total capacity of 2.8 million tonnes a year of which 245 ships with a capacity of 2.5 million tonnes valued at more than Rs 20,000 crore are built. But India's share of the global shipbuilding market is mere 0.4%.

A Change is Possible

“India has all the ingredients for successful shipbuilding,” said Coert Kleijwegt, managing director of Hong Kong-based new shipbuilding brokerage Orient Dutch Shipbroking Ltd. According to KPMG India Pvt. Ltd, India’s shipbuilding capacity is projected to double to 4mt by 2012 and rise further to 19mt by 2017. At this stage, India is expected to hold 7.5% share of the world shipbuilding market.

Recently, 80 per cent of the world shipbuilding activity has shifted to Asia, mainly Japan, Korea and China. There has been increase in demand for container ships due to containerization of the cargo, especially dry bulk. IMO regulations of banning single hull tankers have created a demand for new double hull tankers. By 2010, as many as 1,402 ships carrying 104.6 million tons, would have to be scrapped, according to a report by E.A. Gibson. South Korean and Japanese shipbuilders have limited capacity to build new tankers as they struggle to meet demand for more profitable container ships and liquefied natural gas carriers. This will shift business to countries like China and India. Increased investment in oil exploration around the Indian coast and the Middle East has created a demand for offshore supply vessels.

Government Initiatives

Sensing such urgent requirement for the development of the maritime sector the Government has initiated National Maritime Development Programme (NMDP) with an estimated investment of one lakh crore under which it has made many policy changes such as modifying bidding process, minimum guaranteed throughput, lease period, and automatic approval to 100% FDI, etc. so as to smoothen the development process.

NMDP incorporates three major objectives:

1. Policy on Ports Sector
2. Policy on Shipping Sector which includes Cruise Shipping, Coastal Shipping and Shipbuilding
3. Policy on Inland Waterways

Its policy vision includes

- Modernizing the existing Ports and upgrading their facilities in order to bring them on par with leading ports of the world.
- Developing new Ports in order to fully utilize the vast coastline of the country and the available draft for deriving maximum economic advantage.
- Promoting Hinterland Connectivity to ensure least distance access of the country’s cargo to the ports and also offer choice of ports in the region and terminals inside the ports.
- Fostering Port Specialization and Inter-Port Complementarities for overall optimization of port facilities and efficiency at the ports.

SHIPPING

Indian Shipping consists of a total of 239 companies as on Jun’ 08 with 31 major companies which are the members of Indian National Seafarers Association (INSA). The Shipping Corporation of India (SCI), the central PSU is the largest of them. The gross Indian shipping tonnage is 8.88 million GT’s (Gross Tons) as on Jun’08. But this amount is just 1.5% of the total world tonnage. While coastal tonnage has remained quite stagnant, overseas shipping fleet increased form 0.19 million tonnes in 1947 to 1 million ton in 1962, 7 million tonnes in 1996 and around 9 million tonnes in 2008.

The growth pattern since independence can be divided into three eras:

- Era of slow growth (1947 to 1960) - 12.1%
- Era of rapid expansion (1960 to 1985) - 10.0%
- Era of decline and stagnation (1985 to till date) - 1.6%

In the first two decades after independence, the nascent state of industrialism in India, absence of a well settled policy framework and financial & foreign exchange constraints, led to slow growth in Indian shipping tonnage. The annualized growth is highest in this period because of a low base. However, the second era, especially the period from 1965 to 1980, represented tremendous achievement for the Indian shipping industry in building up a large merchant fleet. The growth was assisted by liberal financial support by SDFC, buoyancy in global economy, trade and shipping and favorable government support. Crisis at a global level triggered by OPEC oil price hike, a regulatory framework in India that increasingly proved to be restrictive enough, even though it had supported the growth in the earlier era and a natural phenomenon of cyclical boom and bust witnessed in all industrial and business sectors, led to gradual stagnation in the Indian shipping industry since 1980s. Conditions have been further aggravated by poor market conditions and the gradual withdrawal of government support since the initiation of liberalization process in 1990's.

Indian shipping is also characterized by the presence of such a large number of companies with few vessels. SCI is the only company with a fleet size of international standards. Some of the world's largest ship owners like Mitsui OSK, World-wide, Vela International, COSCO, Nippon Yusen etc. own fleet of above 10 million DWT- equal to the size of the entire Indian fleet. Eleven companies share over 80 percent of the total tonnage in GRT. Of this, the Shipping Corporation of India owns a total tonnage which is a little more than 3 million GRT. This distribution is in the light that there are more than 100 companies owning ships in India. This makes the revenues of the small companies susceptible to the vagaries of the shipping industry cycle. The risk of these companies is very high as their revenue sources are not diversified. The small sizes of vessels also don't help in taking advantage of the economies of scale. A major consolidation is long overdue in the Indian shipping industry. Companies whose core competence is not shipping are planning to divest their shipping divisions.

In the present scenario, when Government is taking up steps to improve the condition of the Indian maritime sector by improving infrastructure condition and making policy reforms so as to enhance the growth process, its time that Indian shipping industry overcome its problems and set out on a growth path.

INLAND WATER TRANSPORT

India has 14,500 Kms of navigable waterways out of which 3 stretches covering 2700 kms have been declared as National Waterways. Indian inland water transport (IWT) fleet comprises of around 350 vessels aggregating to 3.5 lakhs DWT. Trained manpower engaged in this sector is less than 1000. The productivity level of IWT fleet (measured in terms of tonne – km/DWT per annum) is below 5000 tonne – Kms per DWT

It is generally acknowledged that IWT is an eco-friendly, cost-effective and fuel-efficient mode of transport with huge potential for employment generation. However, at present the share of IWT in India is only 0.17 % of total inland cargo transportation in terms of tonne-km. Inland Water Transport (IWT) operations are currently limited to a few stretches in the Ganga-Bhagirathi-Hooghly rivers, Brahmaputra, the Barak river, the rivers in Goa, the backwaters in Kerala and the deltaic regions of the Godavari-Krishna rivers. With a view to further develop the IWT, the Indian Government has incorporated plans in its National Maritime Development Programme which envisages the IWT to increase to 25 % by 2025. To facilitate this process the Government has planned the development of three more national waterways with an underlying investment of Rs. 10,500 crores. It also plans to amend Inland Vessels Act, 1917.

TRAINING CENTRES

With the development of the shipping infrastructure, there will be a huge demand for the professionals who can cater to the needs of the various sectors in the maritime industry including research and development, naval architecture, shipping professional, etc. Indian Government is, therefore, planning to establish an Indian Maritime University to cope up with this problem. Though India already has four public sector training institutes including T. S. Chanakya and MERI which are top Maritime Institutes in Asia and 124 in private sector, capable of producing 11164 seafarers(4575 officers and 6589 ratings) annually, with 22000 officers and 53000 ratings working on Indian and foreign flags, the share of Indian seafaring work force stands at meager 6%. According to the Baltic and International Maritime Council/International Shipping Federation (BIMCO/ISF), shortage of world shipboard officers is predicted to be escalating to 46000 in 2010, due to phasing out of OECD (Organization for Economic Co-operation and Development) officers, expansion of world shipping etc. It is worthwhile mentioning here that merchant navy is not a popular vocation with the youth in OECD countries.

Concluding

The quality of Maritime infrastructure contributes directly to a country's international competitiveness and the economic growth by facilitating the smooth movement of cargo, spurring trade. We can very well understand how imperative the maritime sector development is for the country by taking the example of Gujarat. While the country's growth rate was 8 percent, Gujrat topped all states in India with a growth rate of 12 percent in 2006-07. Gujarat was the first state to privatize ports. In 2005-06, Gujarat ports handled cargo traffic of 103.9 million metric tonnes. Thirty five percent of India's exports are routed through Gujarat. By 2015, it is estimated that Gujarat's ports will handle 400 million tonnes (39 percent) of the country's total throughput.

As we can now see, Maritime industry is a very vast sector which encompasses many other fields which in themselves have large business opportunities. It does not merely constitute ports and ports facilities construction and maintenance, ship building and ship repair facilities, and ship operations. Ports are no longer mere modal interfaces between surface transport and sea transport. They are now logistics and distribution platforms in the supply chain network. International trade has now become transport intensive and time sensitive. Every port needs to be connected through rail and road network. The Government has provided that each port shall be connected to major cities with a double track railway network and four lane highways. Then there are dredging operations, reclamation, bund construction, berth area development, construction of breakwaters, port and terminal operations, pilotage, security etc. It also incorporates whole chain of logistics management. Then there are aids to navigation which includes establishment of Vessel Traffic Services (VTS) for various regions, shore based AIS, lighthouses and establishment of racons, navigational buoys etc.

All of us know that Singapore was developed because of rapid expansion and modernization of its ports and Korea has become the shipbuilding hub of the world. With India as one of the fastest growing economies in the world and having such a large coastline, it can accelerate the growth rate by providing superior infrastructure facilities at its ports and shipyards and focusing on the overall logistics and supply chain efficiencies.

The purpose of this article was to give an overview of a wider dimension. It may inspire someone who may want to setup a container jetty in Patna, ply barges or it may flash a thought in someone's mind to go on and own the busiest port in the world or the biggest shipyard. Others may know what is there in future.

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