

# Sustainable initiatives

An Information and Communication Technology case study

## IndiaShop Project, Foundation of Occupational Development (FOOD), Chennai, Madras.

(private sector approach to e-commerce for indigenous products)



### Introduction

This case study has been generated as part of a research programme into Information and Communication Technology (ICT) sustainability factors. Funded by the [Department of International Development \(DFID\)](#), the research programme identified activities that sought to benefit the poor and had an ICT component. In particular it considered programmes where ICTs had enhanced ongoing development activities, the ICT activity could be replicated without sizeable investment, and there was a measure of sustainability. Sustainability was taken to be more than financial cost recovery. Drawing from lessons learned in other development sectors, sustainability involves a combination of factors including among others, clear objectives, institutional frameworks, local capacity and development benefits. While perhaps not fulfilling all the features of a strong sustainable activity, the following case was felt to hold points of interest for the wider global development community.

### Description of case Study

"FOOD India is a 20-year-old non-profit organization based in India conducting research on social development and implementing welfare programs in the field of employment generation, poverty alleviation, cost effective housing, education, health, water and sanitation, energy conservation, ICTs, electronic NGO networking, E-commerce, institutional and capacity building for women networks" (source: <http://www.xlweb.com/food/index.htm>, accessed 06/11/02).

In 1993 FOOD was the first organisation to set up an Internet service in Chennai. In the early years they connected by international telephone calls to the Philippines or London, at considerable expense, to access GreenNet email and Internet services. This service was promoted to NGOs, students, researchers and colleges in and around Chennai. Despite the poor quality of modems and local telephone lines, they attracted 200 enthusiastic users by 1996. Once the network gained momentum, FOOD, at the suggestion of members, began to charge an annual subscription for email accounts in order to cover the increasing costs. At the point when the network had gained momentum from users, FOOD realised they could not continue to carry the costs alone. This was initially 3,500 rupees (\$75) a year. This covered the running costs of the network, as well as funding upgrades to software and equipment. Their web service has since expanded to offer NGOs web site design hosting and promotion for 2,000 rupees (\$40) a year. Currently they host 200 web sites for NGOs with interests including human rights, the environment, child labour, women and community health.

More recently FOOD have set up an on-line store for local handicrafts (Indiashop) made by rural artisans and co-operatives in partnership with CAPART (Government of India). Indiashop is marketed to foreign buyers by their own 'e-marketers', and is now generating a small, but steady revenue. Part of the project is to train up educated unemployed youth to function as e-marketers to promote products on line. Thus enabling them to find a suitable source of income. Running a live e-commerce web site enabled FOOD to experiment with the various components that go into an e-commerce store like designing of site, incorporation of secure technologies for shopping, credit card authorization, delivery of products, supplies etc.

The activities undertaken in this project include short-listing women cooperatives and NGOs producing indigenous products, collecting information on products manufactured by them, orienting the short-listed organisations on e-commerce, designing & hosting the e-commerce store, setting up Internet



Photo 1: Embroidered saris from a FOOD workshop are sold via the e-commerce website.

## **Development benefits**

According to Loyala Joseph, if Indiashop can reach a point where artisans are guaranteed a sale for their goods then the artisans will be able to benefit from a reliable higher source of income than is currently achieved locally. This should also provide a slight boost to the local economy.

Providing educated local youth with employment appropriate to their skill base. Enabling them to stay in the area rather than leaving for the bigger cities where appropriate employment is more readily available.

access and related infrastructure, researching online promotion and customer relations strategies, training the e-marketers in online promotion and customer relations, monitoring and evaluating the performance of the e-commerce store as well as e-marketers.

## **Key Strategies**

Through the creation of an on-line handicraft store open up new markets to local artisans and NGO community groups for the sale of their goods.

## **Hindrances**

Technical:

Unreliable power supply to the server.

There are difficulties in getting all the producers connected and because of poor telecommunications, FOOD staff usually deliver orders to producers by hand.

Socio-economic:

Indiashop is at present unable to guarantee regular orders to the producers.

Currently many costs are being absorbed by FOOD: such as web site hosting and development; liaison with producers; quality control; credit card chargebacks, etc

FOOD staff highlighted existing local buyers who have long relationships with the producers as a hindrance - a relationship that is hard to break. An example is that in one instance the buyer demanded the commission he would usually receive from that buyer. The buyer paid it in order to keep up the good working relationship.

## **What helped it Succeed**

Technical:

Food were able to resource a reliable and trustworthy internet service payment provider thus securing the trust of on-line buyers.

Socio-economic:

The ICT component of the project was significantly enhanced by existing relationships with local artisans through 20 years of working in their communities.

## **Sustainability factors**

### **Objectives**

*FOOD*

To empower and network with the poor to enable them to improve their conditions through socio-economic development programmes

*IndiaShop*

To explore whether E-commerce can prove to be a source of income for women cooperatives and non-profits working in rural areas. Through this to also see if they can train educated unemployed youth to function as E-marketers to promote products online and obtain a sustainable source of income for themselves.

### **Policy environment**

FOOD is registered under the public charitable trust act and registered with the Home Ministry of India and is one of the approved organisations for receiving foreign contribution for its activities



Photo 2: Loyala Joseph, Founder and Executive Director of FOOD

### *Institutional arrangements*

Indiashop currently has two full-time e-marketers. Links to the artisans is through FOODs other projects staff, as Indiashop at present is unable to completely support its own link person.

Success of an e-commerce site largely depends on securing the trust of users who are more comfortable with the "offline" shopping experience. It was felt that adopting a new approach in promoting e-commerce for a non-profit cause would help market products made by rural women cooperatives and NGOs. The focus was to be primarily in two segments of e-commerce namely online marketing and customer relations.

### *Target groups*

Target groups are local artisans, women's co-operatives and NGOs/CBOs that FOOD has identified through current project working areas.

Another target group is educated local unemployed youth who are employed as e-marketers.

With regards to gender balance the internal e-marketers are male; the external both male and female. Artisans are both, depending on craft skills.

### *Technology*

The Indiashop relies on access to the internet. The two full-time e-marketers have permanent on-line access through facilities available at the FOOD office. The other part-time e-marketers access the internet through local internet cafes.

Payment for on-line goods is achieved through an Internet payment service provider.

Technical repair and support is provided through FOODs own infrastructure. They have one man who acts as both technical support and a project manager.



Photo 3: Raymond Raj, whose job at FOOD includes e-marketing for IndiaShop.

### *Finance*

The project initial costs were met by IDRC and FOOD.

E-marketers must raise their own income through commission paid via sales on-line. This is derived from the 2-5% commission is paid by the manufacturers to the organisation.

#### Budget

Total project cost: Rs. 3,010,000 (US\$62,710)

10% to salaries

15% e-marketing research expenses

25% training

50% Admin and Maintenance

### *The project process*

The India Shop grew out of previous funding. FOOD initially identified a large number of products and artisans (300) before making their selection of goods. They chose around 1,000 product samples, and photographed these using a digital camera purchased in Sweden: an Olympus Camedia C2500L, which cost them 75,000 rupees (\$1500). With support from the Canadian agency IDRC, they set up the pilot e-commerce site IndiaShop (<http://www.xlweb.com/indiashop/>) in 2000, and enlisted the support of 100 'e-marketers' whose task was to promote the

### **Anecdote**

Chandra Sekaran has worked as a weaver for the last 25 years, ever since the age of 11. He runs a small artisan workshop in the village of Kunam, 40km east of Chennai, and has benefited from the global reach of IndiaShop. 'I think it's a good thing if we can get orders from the web site,' he says. 'This will help us to make some extra money.' This in turn generates income for the weavers he employs, such as Anjali who does the embroidery work - a skill she learned from her brother at the age of nine. 'The money I earn helps to feed my family. My husband does the same work, but he is away in Mumbai.' 'It's good if we can get orders from America like this, because we can sell more sarees.'

### **Points of Interest**

After three years this project is not yet able to operate independently from its parent. This highlights the continued need for long term commitment from parent organisations to make similar internet shops work.

The need to take into account the longstanding relationships artisans have with middle men in the manufacturing sector. Working with that relationship, rather than discounting it, may prove vital to similar projects. Especially where projects cannot give the artisans a guaranteed monthly income or secure long term contract.

Wider research by Gamos on the possibilities of enhancing handicrafts sales through the internet (KAR 7792) has shown that there is limited potential for business to consumer sales. There is some potential in business to business sales and supporting the supply chain. Given this global context it is not surprising that IndiaShop has had to work hard to get where it is.

The study suggests that the leadership role played by Loyola Joseph has been a key part of the overall success of FOOD.

site on-line, and to make personal contact with customers. The e-marketers worked outside the organisation to promote the site, perhaps working only two or three hours a day, using a telecentre or Internet café to access the Internet. They promoted the site in chat rooms and newsgroups, provided further information on specific products to interested customers, and sent out email newsletters giving details of new products. They also ensured that the web pages were registered with a variety of search engines.

During the first year the site achieved up to 1,000 visitors a month, and generated profit on sales of 75,000 rupees (\$1500) for the artisans. Most visitors (83%) were from the USA, with Yahoo being the most significant referring search engine (providing 72% of search engine referrals).

After an order is received, a confirmation email is sent to the buyer, and the order is sent to the local artisan (in many cases by hand, since many artisans do not have access to a telephone). This is because products are not held in stock, but commissioned from artisans on receipt of order. FOOD helps the cash-flow of artisans by paying 50% of the order up front; the remainder after delivery. Products are shipped by Fedex courier, with these charges being paid by the customer on top of the

product price. FOOD tried three Internet payment service providers (PSPs), who offer credit card processing facilities for on-line stores, before finding one that met their needs: 2checkout.

FOOD have also introduced innovations to support individual e-marketers. Now each has their own homepage, giving access to IndiaShop, so that visits and purchases can be tracked more accurately.

### **Key linkages**

Linkages with local artisans and manufacturing groups are made through FOODs existing work in the surrounding communities of Tamil Nadu.

### **Capacity**

E-marketers receive initial training from FOOD. All e-marketers must have a basic graduate degree and a reasonable level of English.

### **Stakeholders Consulted**

This case study information has been gathered through the assistance of FOOD staff, who facilitated interviews with a range of stakeholders. This report was carried out through interviews with Loyola Joseph, the Founder and Chief Executive and his staff. The staff also facilitated talks with the e-marketers and local artisans.

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