

Indiashop, Foundation of Occupational Development (FOOD), Chennai, Madras.  
(private sector approach to e-commerce for indigenous products)

## Introduction

*“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 2,500 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 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.

<b>SUSTAINABILITY FACTORS</b>	<p><b>Directly Involved:</b></p> <ul style="list-style-type: none"> <li>• Mr Loyola Joseph, Founder and Executive Director (FOOD)</li> <li>• Santosh Narayanan, Project Leader (FOOD).</li> </ul> <p><b>Users</b></p> <ul style="list-style-type: none"> <li>• Chandra Sekaran, weaver for 25 years. He runs a small artisan workshop in Kunam, 40km east of Chennai,</li> </ul>
<b>Objectives</b>	<p><b>FOOD</b></p> <ul style="list-style-type: none"> <li>• To empower and network with the poor to enable them to improve their conditions through socio-economic development programmes</li> </ul> <p><b>IndiaShop</b></p> <ul style="list-style-type: none"> <li>• To explore whether E-commerce can prove to be a source of income for women cooperatives and non-profits working in rural areas.</li> <li>• To see if, in the process, FOOD could train educated unemployed youth to function as E-marketers to not only promote products online but also find a sustainable source of income for themselves.</li> </ul>
<b>Policy environment</b>	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.
<b>Institutional</b>	FOOD has 25 technical and non-technical permanent staff

<b>arrangements</b>	
<b>Target Groups</b>	<p>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.</p> <p><u>Definition of target group(s)</u> Includes artisans, women co-operatives nad NGOS producing indigenous products. Also unemployed educated youth to work as e-marketers.</p> <p><u>How does the organisation communicate with target groups (channel, frequency, formal/ informal etc.)</u> Indiashop is largely centralised. The bulk of sales is accounted for by through FOODs internal staff person. No formal quality control.</p> <p><u>Gender</u> The internal e-marketers are male; the external both male and female. Artisans are both, depending on craft skills.</p>
<b>ICT Technology</b>	<p><b>FOOD</b></p> <ul style="list-style-type: none"> <li>• Server hosted in the USA, with a 64kbps dedicated line. Operated using Linux, and connected to a UPS.</li> </ul> <p><b>Indiashop</b></p> <ul style="list-style-type: none"> <li>• E-commerce website set up using FOODs website design service.</li> <li>• Olympus Camedia C2500L digital camera</li> <li>• Initially 100 e-marketers working through telecentres or internet cafes. Now reduced to 2 salaried full-time e-marketers working through the FOOD office, and around 50 part-time ones working externally.</li> <li>• Internet Payment Service Provider</li> </ul> <p><u>What are common problems / failures?</u></p> <ul style="list-style-type: none"> <li>• 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. PSPs offer different terms of payment, charge different set up fees and commissions, and have different policies on ‘charge backs’, when the customer refuses to honour the purchase, and claims the charge back from the credit card company. This may be because of fraudulent use of the credit card, or because the customer does not like the product, or has changed their mind.</li> <li>• Frequent breakdown of server due to unreliable power supply.</li> </ul> <p><u>Technical Support and Repair</u> This is obtained from their own infrastructure (eg web site, and income-generating network of ngos). The have one person who acts as technical specialist and project manager.</p>
<b>Financing</b>	<p><u>Source of income</u> 17,60,000 grant from IDRC 12,50,000 from FOOD</p> <p><u>Budget</u> Rs. 30,10,000 Total project cost. 10% to salaries 15% e-marketing research expenses 25% training 50% Admin and Maintenance</p>

	<p><u>Cost Recovery</u></p> <ul style="list-style-type: none"> <li>The E-marketers do not receive a salary, however, they receive a sales commission on all the products they help to sell from the online shop. This helps them to find sustenance within the project and motivates them to further expand their client base. During the past 8 months the 100 e-marketers working on this project have earned between Rs. 10,000 and Rs. 2,000 per month. While some e-marketers work from home with a PC many of them have chosen to work in small groups sharing a computer and Internet access.</li> <li>Loyola Joseph calculates that e-marketers need to generate profits of 8,000 rupees a month (\$160), to cover their salaries and infrastructure costs, if the shop is to be sustainable long-term. He estimates that FOOD now generates an average margin on sales of 20%, and the last month has seen one of their e-marketers reaching the 8,000 rupees break-even point.</li> <li>Recurrent costs are covered through FOODs NGO network</li> </ul> <p><u>Cost-sharing</u></p> <ul style="list-style-type: none"> <li>2-5% commission paid to FOOD from artisans</li> </ul>
<p><b><i>Intermediaries</i></b></p>	<p><u>Where does editorial control lie when packaging / disseminating information?</u> The artisans do not comment on web site design. Although the e-commerce shop is designed so that hits and sales generated by individual e-marketers is recorded against each e-marketer.</p>
<p><b><i>The project process</i></b></p>	<p>The India Shop grew out of previous funding. FOOD initially identified a large number of products and artisans 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). Some items, such as sarees, have been shot with the help of local models, who gave their services free of charge. With support from the Canadian agency IDRC, they set up the pilot e-commerce site IndiaShop (<a href="http://www.xlweb.com/indiashop/">http://www.xlweb.com/indiashop/</a>) in 2000, and enlisted the support of a small army of 'e-marketers' whose task was to promote the site on-line, and to make personal contact with customers.</p> <p>For the initial pilot project, 100 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 ensure that their web pages are registered with a variety of search engines.</p> <p>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). FOOD gathers and reviews site statistics using Web Trends Live.</p> <p>After an order is received, an email of confirmation 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). Products 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. If artisans sell to local shops, this is on a 'sale or return' basis, and it may take them as long as six months to get their money. Some artisans wary of losing traditional buyers, since FOOD is small and unknown buyer. FOOD is not fair/ethical trade - but trying to support producers. They 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.</p>

	<p>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 (<a href="http://www.2checkout.com">www.2checkout.com</a>). PSPs offer different terms of payment, charge different set up fees and commissions, and have different policies on 'charge backs', when the customer refuses to honour the purchase, and claims the charge back from the credit card company. This may be because of fraudulent use of the credit card, or because the customer does not like the product, or has changed their mind.</p> <p>This business appears very experimental: many hidden costs, and low turnover (total value, and number of orders less than 20 in last six months).</p> <p><u>Connection to artisans</u></p> <ul style="list-style-type: none"> <li>• The project was designed in connection with the artisans, NGOs and women co-operatives.</li> <li>• FOOD helps the cash-flow of artisans by paying 50% of the order up front; the remainder after delivery. If artisans sell to local shops, this is on a 'sale or return' basis, and it may take them as long as six months to get their money.</li> </ul> <p><u>Emarketers</u></p> <ul style="list-style-type: none"> <li>• E-marketer is an online marketing agent (or a virtual salesman) that mobilizes online traffic and draws in customers to the e-commerce store.</li> <li>• For e-commerce promotion to be effective, the E-marketer provides not only publicity for the website but also offer online customer service to the users of the e-commerce store.</li> <li>• Each E-marketer is attached to one particular product segment that is featured on the e-commerce store.</li> <li>• The e-marketers are encouraged to operate in two modes. Firstly, to respond to inquires from visitors to the India Shop e-commerce web site and develop one-to-one relationship with each potential customer. E-marketers are also responsible for subscribing past and potential customers to the India Shop's e-mail newsletter that reports on new products and features information on the artisans who make them. Secondly, mode, e-marketers are encouraged to be proactive and get on the Internet and seek out customers. They typically do this via chat rooms and discussion groups about themes related to Indian culture and lifestyles.</li> </ul>
<p><b>Key linkages</b></p>	<p><u>How does the project link with target groups?</u> FOOD has been working in rural, semi-urban and urban areas of Tamil Nadu for the past 20 years. The project has taken up in areas where they are already working with NGOs/CBOs.</p> <p><u>What links does the project have with local organisations (government, non-government, private sector)?</u> Middle Men: While e-commerce offers the possibility of 'disintermediating' (cutting out) middlemen, FOOD has found that in practice this may be hard to achieve. Many producers are effectively 'locked into' their existing buyers, with whom they may have traded for decades. The producers are unwilling to lose these middlemen, when FOOD cannot yet guarantee regular orders in volume. Many buyers have also supported producers through the lean times, so it is understandable that producers are unwilling to compromise these long-standing business relationships.</p> <p>In one case, where FOOD went to the producer direct, the mediating buyer, when they found out, demanded the commission they considered they had lost on the sale. While FOOD refused to pay, the producer paid the commission themselves, so as not to fall out with their buyer. So in some cases, FOOD still deals with buyers in order to place orders with producers.</p>

<b><i>Capacity</i></b>	<p><u>Staff Equipment Training</u> E-marketers – graduate degree and have a reasonable level of English. Training from FOOD on effective communication, updating the website and on-line marketing for one month.</p> <p><u>How are participants for training selected?</u> The e-marketers have been selected as those people who expressed an interest in learning e-marketing and promotion through seminars that created awareness of the project.</p>
<b><i>Development benefits</i></b>	<p>If they 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.</p> <p>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.</p>
<b><i>Anecdotes</i></b>	<p>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.'</p> <p>This in turn generates income for the weavers he employs, such as Anjali, who does 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.'</p>