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Finalist

Building a Sustainable Enterprise with the Power of Local Communities - The Journey of Neev Herbal Handmade Soaps

Free Online Copy

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Building a Sustainable Enterprise with the Power of Local Communities- The Journey of Neev Herbal Handmade Soaps

Abstract:

Poverty, illiteracy and gender discrimination have been the underlying factors that have stifled development in the villages of Jharkhand state in northern India. In 2006, Hudlung village located in the outskirts of the steel city of Jamshedpur was acutely stricken by poverty with about 80% of the population living below the poverty line, as defined by the Government of India. Gender discrimination against females was also a rampant practice and avenues of education as well as employment were few and far between. The men of the households used to work in the paddy fields or as contract laborers in the steel industry, while the women took care of household chores. This abysmal situation was prevalent when the Jains, Anurag and Shikha, decided to initiate a new paradigm of socio-economic empowerment of the local community. In 2007, they started Neev Herbal handmade Soaps with the vision to produce the highest quality hand crafted herbal products while providing a dignified means of employment for rural women and rejuvenating the rural economy. The enterprise has since had a remarkable transformative effect on the village community. All employees of Neev are women from the local community itself. The organization also started the Neev School of Integral Learning catering to the holistic educational needs of the children in the village, especially of the women who worked in the Neev soap factory. The most admirable aspect of this social venture was the founders' vision of adhering to the triple bottom line business model encompassing people, planet and profit. The manufacturing of products is entirely based on the cold process method which unlike conventional manufacturing processes doesn't use any energy consuming industrial machinery. Neev Soaps are made by hand using a wide range of natural ingredients grown in its gardens or sourced from cultivators from across the country. It is quite remarkable that none of its products use chemical ingredients.

Currently, Neev products are primarily sold through 180 retail store partners spread across India and to a lesser extent through 10 niche e-tailing partners. The latest annual revenues for Neev stand close to Rs. 4.5 million. With a good market presence in the Metros and Tier I cities, Neev is exploring the prospects of partnering with mass market e-tailers to target customer bases in Tier II and Tier III Indian cities. This would not only generate more employment opportunities for the women of Hudlung but also enable it to compete with other herbal soap manufacturers who have already adopted the e-tailing channel.

Introduction:

One fine winter afternoon in the November of 2014, while Anurag Jain, the co-founder of Neev Herbal Handmade Soaps, was busy preparing his unit to host a group of retailers from New Delhi, he got a call from Saurabh Sharma, a loyal customer and an old friend based out of the US. Saurabh proposed that it was indeed high time for Neev to explore the scope of tie-ups with e-commerce giants like Amazon and Flipkart to market its high quality products. Saurabh also recommended that Neev should look for opportunities to export its products to the underserved Indian diaspora and Ayurveda connoisseurs outside India by tapping into distribution channels in Japan, US and Europe. While the growth trend in the premium soap segment presented a lucrative case for expanding the operations and exploring tie-ups with the large e-commerce players, it also called for a paradigm shift in its manufacturing operations.

Based out of the tiny hamlet of Hudlung in Jharkhand state of India, Neev, which stands for New Education and Environmental Visions, was conceived by its founders, Anurag and Shikha Jain as an alternative form of living, disconnected from the scourge of capitalism.

Anurag says, *“We started Neev as a new paradigm of sustainable living. We don’t fit into what is traditionally considered as social entrepreneurship. We are not the darlings of the social entrepreneurship circle because of our radical deviance from the established model. What we see today in the name of social entrepreneurship is more often a corporate approach where the focus is solely on the numbers rather than impact or the awareness generated. Our aim is to bring about a conscious change in the mindset of the masses towards sustainability. Unfortunately for us, levels of consciousness can’t be crudely quantified by numbers!”*

Neev aims to emulate harmony between the mind, soul, body and the spirit through the concept of integral living.

Shikha Jain, co-founder of Neev and Anurag’s wife, pitches in, *“We focus more on depth rather than width - that is the central philosophy of Neev. What the corporate world and the society in general needs today is orientation towards ethics and human connectivity. We at Neev have the vision to take it to the next level.”*

Socio-Economic Climate of Jharkhand:

The World Bank recognized that poverty was not just a problem of low incomes but a multi-dimensional problem encompassing low access to opportunities for developing human capital and to education. The World Bank has identified Jharkhand as one of the most poverty-stricken states in India with nearly 49% of the population living below the poverty line. The instances of rural poverty are much greater than that of

urban poverty. Out of a total population of 27 million, 21 million (78%) live in villages, while about 6 million (22%) reside in urban areas.

Demographically speaking, 28%¹ of the population of Jharkhand belongs to tribal communities. About 60% of schedule caste and schedule tribe population are still below poverty line. It may be said that agro-ecological and social factors are the main causes for rural poverty in Jharkhand. Inadequate infrastructure, challenging terrains, high population pressure on arable land, low irrigation coverage, limited in-situ employment opportunities, dogmatic social customs, gender discrimination, corruption are some of the primary factors that inflict poverty in the state. The state ranks a lowly 29th out of 35² states and union territories in the Gender Related Development Index (GDI).

Evolution of Personal Care Market in India:

The Lever Brothers³ introduced soap in India during the reign of the British Empire. Mr. Jamshedji Tata, the founding father of the global corporate giant, The Tata Group, set up the first indigenous soap manufacturing unit in India around 1918. Today India is one of the largest producers of soaps in the world. However, the per capita consumption of toilet of bathing soap in India is merely 800 gms⁴ in comparison to 6.5 kgs in the US and 4.0 kgs in China. This low market penetration for personal care products offers an enormous growth opportunity for new players. Furthermore, there is a huge scope for offering herbal soaps to international and national spa chains.

In addition, the country's population base of 1.2 billion⁵ is estimated to rise to 1.5 billion by the end of 2030. Urbanization will also increase by 45% in the next 30 years. In recent times, Indian consumers have been looking for newer shopping experiences and products. Consumer concentration has shifted from traditional offerings to new generational ones. At present, the Indian soap market is mainly divided into the premium, popular and economy segments.

On the pricing front, the price of the premium segment products is almost twice that of economy segment products. Toilet soaps are the highest penetrated category in the

¹ Rural Poverty in Jharkhand: An Empirical Exploration of Socio-economic determinants Singh, K.M., Singh, R.K.P. Kumar, Abhay, Meena, M.S., Jha, Awadhesh K. and Kumar, Anjani

² Jharkhand: UNDP Report on Economic and Human Development Indicators (2011) Sourced from: (http://www.in.undp.org/content/dam/india/docs/jharkhand_factsheet.pdf)

³ An article on Top Soap Brands in India. Retrieved on: March 19, 2015. Sourced from: (<http://business.mapsofindia.com/top-brands-india/top-soap-brands-in-india.html>)

⁴ Rural Brand Awareness and Preferences for FMCGs: An Empirical Study on Keonjhar District of Odisha, India. Pradhan, Jyoti and Misra, Devi P. (2014). IOSR Journal of Business and Management. Sourced from: (<http://iosrjournals.org/iosr-jbm/papers/Vol16-issue9/Version-4/DO16941729.pdf>)

⁵ *Why are Indian e-commerce sites now concentrating on beauty and personal care segment?* By Ayushi Published on March 7, 2013. Sourced from: (<http://mediavataar.com/index.php/news/digital/5748-why-are-indian-e-commerce-sites-now-concentrating-on-beauty-and-personal-care-segment>)

FMCG segment with overall penetration level of about 88% ⁶(98% urban and 70% rural). In India, soaps are available in five million retail stores, out of which, three-fourths are in the rural areas. With increase in disposable incomes, growth in rural demand is expected to increase because the consumers are moving up towards premium products.

In an increasingly health conscious world, herbal products are getting widespread acceptance across the globe. Hence, herbal soaps have also good domestic as well as export potential. The herbal product market within FMCG is valued at Rs.50 billion⁷ and is growing at a remarkable rate over the past three years.

The Vision Behind the Social Enterprise:

A Business Enterprise – Concerned only with Profits
A Social Enterprise – Concerned with People, Planet and Profit

The seeds of Neev were laid when Anurag was pursuing his bachelor's degree in Mechanical Engineering at NIT Kurukshetra, one of the premier engineering institutes of India. He had envisioned starting an organization that would encompass the human persona as a whole and guide the human mind to lead a worthy and meaningful life. All around him he saw his peers finding meaning in lucrative corporate jobs. But Anurag was looking for something that would not only transcend the need for self-satisfaction but would serve the society at large

Anurag along with his wife, Shikha started off on this path of serving the society by undertaking small government founded projects. In 2006, Neev came into being as a charitable trust with a vision to empower the rural communities of Jharkhand and enable them to chart their own path of development. Their first initiative was in the form of a school in the Govindpur village. The Neev Public School⁸ was founded in the year 2006 with the aim of providing integral education. But as with any venture, getting that initial funding was a massive challenge.

“We were nobodies in the social welfare arena when we started off. Getting institutional funding was something that we gave up upon. The initial funding was done through our savings and monetary support from our close friends”, Anurag reveals candidly about the initial struggle.

⁶ An article on Soap and Detergent Industry in India. Published on January 18, 2011. Sourced from:<http://www.crirec.com/2011/01/soap-and-detergent-industry-in-india/>

⁷ An article on Soap and Detergent Industry in India. Published on January 18, 2011. Sourced from:<http://www.crirec.com/2011/01/soap-and-detergent-industry-in-india/>

⁸ Neev Official Website (<http://neevschool.weebly.com/>)

Within a year, Neev undertook development projects in association with National Bank for Agriculture and Rural Development (NABARD⁹). Some of their first projects were on livelihood training for women, financial literacy for rural women and training of women leaders of self-help groups (SHGs). Subsequently it also organized a Skill Development Initiative (SDI) to train women of the SHGs to make soaps using aloe-vera extracts.

Deciphering the Divorce between Intent and Drive in Development Models:

Despite the success of these funded projects, the Jains were not quite satisfied with what they were doing. At the end of the day, they still had to pitch for funds from external institutions. While conducting one of these SHG training camps on soap making, Shikha came up with the idea of starting an indigenous soap making unit as a social enterprise. The model that she envisioned would empower the local women, create a sustainable source of livelihood for them and hopefully turn in some profits to sustain the school. Soon enough, the couple got down to studying the various business models, the market forces in operation and the community they were working with. Based on extensive ground-level research, they realized that the 'charity model' of social empowerment was not sustainable in the long run. The funding agencies have their own hidden agenda behind undertaking social projects and were more often than not detached from the ground realities. All that they cared for were quantifiable results.

Anurag shares his thoughts on this hypocrisy saying, *“Our venture was never about creating glossy reports sitting in air-conditioned cozy offices and talking of alleviating poverty! That’s what the corporate model of social work does- create sham metrics that hardly reflect the ground realities. Corporate houses are the ones who give you a nasty whack in the first place and when you start bleeding they put a bandage on your wounds. In the current context, a majority of the Corporate Social Responsibility (CSR) initiatives are aimed at appeasing the victims of corporate vice. Land acquisitions, health hazards, the malice of corruption and the rising socio-economic inequality, everything is borne out of corporate greed.”*

Anurag believed that there was an inherent divorce between intention and drive in the corporate as well as socialist models of development. In the corporate model there was hardly any intention to do genuine good for society, but the projects got a lot of drive and stimulus. On the contrary, proponents of the socialist model had genuine intention to serve the society but they lacked the drive to overcome the challenges faced during the implementation of these projects. Neev became a platform to marry intent and drive that would ensure that ground level social empowerment indeed becomes a reality.

⁹ Neev’s Annual Report 2010-2011. Sourced from : (<http://www.slideshare.net/AnuragNEEV/neev-annual-report-201011>)

The Soap making Journey:

In 2007, Neev Herbal handmade Soaps was started with the vision to produce the highest quality hand crafted herbal products while providing a dignified means of employment for rural women and rejuvenating the impoverished rural economy of Jharkhand. The enterprise was registered as a proprietorship firm under the Government of India sponsored Khadi and Village Industries Commission (KVIC) Rural Employment Guarantee Program¹⁰. The program was meant to support entrepreneurs whose ventures would generate employment opportunities for the rural population. As part of the program they were eligible for a Rs. 2.5 million loan from Khadi to start the enterprise. Instead they took a loan of just Rs. 60,000 to start the unit out of a small 1,000 square feet hut in the Hudlung village. The vision was very clear- they didn't want to start off big. They realized that majority start-ups fail due to a massive investment in a grand vision which fails to take off leaving the entrepreneurs in the middle of nowhere.

Shikha says, *“We had learnt our lesson seeing others fail before us. Our strategy was to first establish the market for our product through small scale initial production and then work backwards to expand our production once our products had buyers.”*

In line with this strategy, having gained a good understanding of the soap business after 4 years, in 2011, Neev took a MSME loan of Rs. 2.5 million from Canara Bank and decided to expand. The current 5,000 square feet manufacturing unit came into being in 2012.

In justification of their model Anurag says, *“Our model started showing results because with time we realized that relying on the market dynamics was a much more efficient mechanism to run a business than pitching for funds.”*

Shikha adds in, *“We had a product. If the customers liked it, they bought it. We got fair market prices and the business thrived. We had full faith in our product and our vision.”*

Implementing a Sustainable Manufacturing Paradigm:

The manufacturing unit, popularly known as **“Sabun Factory”** or soap factory in the entire Hudlung village and its neighborhood, is the pride of the region. At first sight the 5,000 square feet unit would come across as a typical single storied concrete village house, albeit a big one. But the work that goes on here is intricately related to the livelihoods of many a village household.

¹⁰ Guidelines on Prime Minister's Employment Generation Programme (PMEGP). Sourced from: (<http://www.kvic.org.in/PDF/PMEGPscheme.pdf>)

As envisioned by the founders the enterprise doesn't use any electrical machinery, except for a set of six hand held blenders used to mix the ingredients into the batter for the various products. Instead of an elaborate production line normally associated with any soap making unit one would be pleasantly surprised to find women sitting on the floor and undertaking the various stages of production while chatting away on mundane matters. Remarkably, the complex set of activities right from mixing of herbs and oils to creating the soaps to packing them and sorting them in batches, are accomplished manually in 4 large rooms- the manufacturing room, the packaging room and the two storage rooms. While the focus has been on creating products that appeal to contemporary aesthetics and functionality, the core remains the artisan's skill and technique.

Neev strictly adheres to its philosophy of not using a single chemical in its manufacturing process and hence there is absolutely no scope for pollution of any kind. All the ingredients used in Neev's products are natural and are either grown by local farmers or sourced from cultivators from across the country. Neev Soaps are made by hand using a wide range of aromatic essential oils through the cold process method without using any industrial machinery.

Shikha justifies his philosophy saying, *"We could have cut down the cost by half by using artificial, chemical based ingredients. But by growing our own herbs for the products, we fulfill our aim of creating awareness about bio-diversity and protecting it."*

Since Neev projected its products in the luxury segment it ensured that only the highest quality ingredients were used to make its products. The soaps are made from the highest quality vegetable oils such as coconut, olive and palm and purest essential oils.

At the back end of the plant compound is an expansive 4,000 square feet herbal garden. Rows of Aloe-vera and Mehendi plants are a pleasant site for enthusiastic visitors. Many rare herbs like Bhirnraj, Ashwagandha, Tulsi etc are also offered sanctuary in these gardens. Besides external sourcing and ingredients from the sprawling herbal garden, Neev is encouraging local farmers to cultivate these herbs and supply them to the enterprise. In fact, the Mahua oil it procures from mills in Jamshedpur is supplied by local farmers of the Hudlung village.

Experimentations with Cold Process Method:

Almost all of the Neev products are made using the cold process. As they were preparing to organize a workshop on in-house soap making for the women of the self-help groups, Shikha realized that making soap is actually a pretty straightforward process and can be done using equipment and ingredients readily available in a rural

household. The cold process is the most basic way of making soap since it doesn't require any heat during the process except for the heating needed to melt the oils.

The first thing one would need to start making the soap is a recipe. Shikha and Anurag had very little knowledge of formulating a soap recipe. Their initial foray was based on information freely available on the web and through videos on "You-tube". They started with the very basic ingredients and assembled the equipment and materials in the small hut they initially used as their workspace. Once they got a hang of making the soap mixture, they used to add their experimental set of fragrances and essential oils to it. Through a series of experimental trials they managed to create an elaborate variety of soap formulations over the years. When the soap thickened quite a bit, it was poured into molds specially designed by Anurag, using a back and forth motion to make sure that the soap spreads out evenly. Today, the couple believes that product formulation is one of their core strengths. Starting from just 5 varieties of soaps, Neev currently offers more than 60 varieties of products that cater to the health needs of its customers from the head to the toe.

The Uniqueness of the Neev Work Culture:

Neev employs 10 women on a permanent basis and utilizes the services of up to 30 women and young girls when the scale of work goes up in peak seasons. Not only are these women well remunerated, but their children get access to free education at Neev's School. The work environment is quite amiable with careful consideration towards high standards of hygiene. The employees wear gloves all the while they are engaged in the manufacturing process. Since the products are "made to order", the work hours are quite flexible, though the standard working hours are 9 AM to 5 PM. These women are not just satisfied but ingratiated for the homely work environment and the flexibility of timings to attend to their young ones and their family.

The young girls employed in the factory are mandated to go to school and the founders ensure that they complete their education. Some of these young girls have managed to get good jobs in the Jamshedpur based industrial houses including Tata Steel and Tata Motors. In a village where primary education is a privilege and a girl going to school is a taboo, this initiative has broadened the community's outlook to education and opened up a window of opportunities. The fact that three of the former apprentices have gone on to start their own tailoring shops is a matter of great pride for Shikha and Anurag. Neev provides the platform for these young women to chase their dreams and fulfill them.

"I did not earn anything until I joined the Neev unit and learned to make herbal products. Now, I wish our hard work gets noticed and our products reach foreign

shores. I never dreamt I'll be independent. But I got success beyond my dreams.” said Moni ¹¹, the only earning member of her family.

The Neev Internships- A Transformative Experience:

Every year Neev offers bright young minds from not just India but across the world the opportunity to intern at the unit and get a hands-on experience of running a successful social enterprise. While the Indian interns came from top colleges like NITs and IITs, the international interns came through collaboration with AISEC. The Internship program is envisioned to be a transformative experience for the interns as every intern is encouraged to look within. Rather than going through workshops or any formal training sessions, most of the learning happens during the work itself, through informal conversations and the embedded experience that the interns have. The interns are encouraged to drive their own learning rather than matching up to pre-determined expectations.

Shikha says, *“Each year we host 4-5 international interns from Germany, Canada, US, China etc. The internship creates a symbiotic relationship wherein they get exposure to ground level challenges while we get the opportunity to leverage their skills and knowledge to further improve the various facets of our system.”*

In the words of Anurag and Shikha, interns have played a significant role in simplifying the documentation process, creating presentations for new customers and designing of their website and brochures among other things.

Sebastian Starke¹², a Bachelor of Business Administration student of Hochschule Pforzheim University, shared his internship experience with Neev, *“I started with the SOP and Certification for the new products. As I was not that familiar to all the products I had to ask Shikha a lot, but she answered patiently every time. Beside work I really enjoyed talking with Shikha about the values of my generation. Especially in the more materialism oriented western part of the world it's not that easy to find someone to talk about 'real values' in life.”*

Richa¹³ an intern of the 2012 batch eulogizes the spirit of Neev saying, *“Back here in the soap unit, the experienced members have gained a kind of enlightenment. The newer ones are still chasing their goals. At times, it becomes really difficult to rationalize with villagers. And while dealing with them, Shikha confuses me further. She says that she doesn't support charity but then I find her doing charity all the*

¹¹ The Telegraph newspaper article. By Antara Bose. Published on January 18, 2012. Sourced from: (http://www.telegraphindia.com/1120118/jsp/jharkhand/story_15019584.jsp)

¹² Neev official Blog. Sourced from: (<http://neevngo.wordpress.com/2013/12/25/diary-of-a-neev-intern-sebastian-starke/>)

¹³ Neev official Blog. Sourced from: (<http://neevngo.wordpress.com/2012/06/20/richas-last-diary-entry-as-intern-an-awakening/>)

time. She helps everyone in every possible way.” She adds, “The path Anurag and Shikha have chosen is definitely ‘the road less travelled’- not chosen by most others. Neev has come over difficult times and stands strong to face more difficulties. I feel empowered, filled with courage to live a life based on my own principles,”

Competition:

“We have complete faith in the quality of our product and its value proposition to our loyal customers. We are hardly bothered about competition”, Anurag puts it rather bluntly.

But the fact remains that the Ayurvedic body care segment is becoming increasingly competitive. Though Neev is not in direct competition with the big FMCG players like HUL, ITC, Godrej etc., due to its unique product offerings, it does face significant competition from other niche Ayurvedic personal care players.

- **Khadi Naturals**¹⁴: The Company offers pure and natural handmade herbal products like herbal shampoo and handmade Ayurvedic soaps in the personal care segment. Its website has an elaborate catalogue of its product offerings and allows customers to order products on-line. It also markets its products through mass e-tailers like Snapdeal and Flipkart. However, it mostly offers combo packs of 4 soaps through the e-tailers and customers have to pay delivery charges in addition to the product price.
- **Kama Ayurveda**¹⁵: Started in 2002 in India by four individuals to promote the message of authentic Ayurveda universally, today, Kama’s beauty and wellness products are sold globally and used by hotels and spas across the world. It offers all natural body care products including handmade Ayurvedic soaps and essential oils through distribution channels across the world. Products cater to the super-premium end of the spectrum and have high prices. The company also offers aesthetically appealing hand-crafted soaps for gifts and home decor. It has received extensive coverage and recognition in various international publications including Vogue, Harper’s Bazaar and Tatler.
- **Swadeshi Natures**¹⁶: It was established in 2011, in Hyderabad, as a manufacturer and exporter of a comprehensive range of soaps and essential oils. It has strategically segmented the business into various units including manufacturing, quality testing and warehousing. Its manufacturing unit is equipped with latest processing machinery and technology. It also has

¹⁴ Khadi Naturals Website (<http://www.khadinatural.com/>)

¹⁵ Kama Ayurveda Website (<http://www.kamaayurveda.com/kama-ayurveda/about-us>)

¹⁶ Swadeshi Natures Website (<http://www.handmadesoapsindia.com/>)

capacious warehousing facilities for storage and distribution of its products which enables it to meet the urgent demands of clients. Its online portal is developed and maintained by Indiamart¹⁷.

The Initial Marketing Struggle:

Having conceptualized the product and the manufacturing, the next strategic challenge facing the dynamic couple was to come up with a comprehensive marketing strategy to reach out to the masses. They decided to go with the two pronged strategy of broadening and deepening of their reach.

To broaden their reach, Neev targeted the niche market segment through trade fairs. Since, the enterprise was funded by the Khadi and Village Industries Commission (KVIC), they decided to utilize the myriad of trade fairs organized by KVIC as a platform to showcase their products. Consequently over the course of the next 4 years, Neev had set up stalls in more than 200 trade fairs, both at the national as well as the international stage. These fairs, attended by high profile government officials and socialites as well as business houses, proved to be the perfect platform for launching Neev products pan India. Hoteliers, spas and merchants of Ayurvedic products were fascinated by the high quality and wide range of herbal products and lined up to place orders. Neev as an Ayurveda based brand was slowly but surely growing in stature. Neev herbal soaps sold like hotcakes at the annual India International Trade Fair ¹⁸ in New Delhi and earned quite a following at Canton Trade Fair in Guangzhou, China

Deepening the product's reach involved conducting extensive market research and product innovation studies in collaboration with some of the top institutions of management education in India. The market research studies offered them with consumer insights on the more favored varieties targeting different consumer segments, the stock keeping units (SKUs) in demand and the corresponding pricing strategy. Based on these studies Neev enhanced their product portfolio to include herbal body wash, herbal hair oils, scrubs and face-packs. They also introduced new varieties of existing products and offered them in a wide range of SKUs to cater to the demands of the target segments. Smaller SKUs were offered to hotels, health resorts and spas while the larger SKUs catered to retail customers. These new innovations ramped up the sales in a big way. The product packaging of Neev's range of products is trendy and underlines luxury. They adorn luxury hotels, resorts and health spas across the India.

The Struggle for Gaining Credibility through Certifications:

¹⁷ India Mart official website (<http://www.indiamart.com/>)

¹⁸ The Telegraph newspaper article. By Antara Bose. Published on May 20, 2011. Sourced from: (http://www.telegraphindia.com/1110520/jsp/jharkhand/story_14004512.jsp)

Along the road, Anurag and Shikha realized that customers needed some kind of an assurance regarding the quality of the product. They knew well enough that their unit was a small one and getting an ISO certification¹⁹ was a far-fetched idea. But they believed in their products and embarked on a challenging journey to get them certified. At times, they were asked to pay bribes, a proposition that they squarely refused to. For the couple, it was not about the business, it was the philosophy and ethical stance that they valued. They were made to wait days outside government offices, but they persisted.

Shikha recollects, *“After having to wait the entire day outside a government department office, I was asked to pay a bribe to ensure that our file reached the relevant authority. I decided to directly confront the department head and clarified that paying bribes was against the principles of our organization. He patiently heard about our model of social enterprise that benefited the local community. We got the requisite approval within the next two hours.”*

Their perseverance paid rich dividends as Neev became the first cosmetic company in the state of Jharkhand to get a Drug and Cosmetic Certification from the Indian government²⁰. The soaps are also certified as Ayurvedic Products as per the Ayush²¹ standards of the Indian government. With quality certifications in place, Neev’s products got even more credence among Ayurveda oriented customers.

In December 2011, Neev approached Craftmark²² for certification to enable them market the products outside India. Subsequently, Neev’s soaps became the first herbal products in India to be certified by Craftmark. Neev soaps are also certified by ITL Labs, Delhi as Grade A Soaps.

Awards²³ :

Offering an exceptional value proposition for customers while promoting the welfare of the local community has earned Neev several laurels.

- In 2010, Neev Herbal Handmade Soaps received the National Award in MSME Industries for being the best Rural Employment Generation Programme of KVIC in the Eastern Zone of India.
- In 2012, Neev Herbal Handmade Soaps was given a State Level Award as The Best KVIC (PMEGP) Unit in the Jharkhand State.

¹⁹ ISO Certification official website (<http://www.iso.org/iso/home/standards/certification.htm>)

²⁰ Neev official blog (<http://neevngo.wordpress.com/page/5/?app-download=android>)

²¹ Ministry of Ayush website (<http://indianmedicine.nic.in/>)

²² All India Artisans and Craftworkers Welfare Association Website (<http://www.aiacaonline.org/craftmark.asp>)

²³ Neev official website (<http://neevsoaps.weebly.com/awards.html>)

- Neev also received the Jharkhand Yuva Chetna Samman in 2009, Bharat Excellence Award in 2011 and the Vivekananda Yuva Samman in 2012.

Niche e-tailing and Leveraging the Power of Social Media:

Neev's products were sold through an elaborate network of 180 retailers spread across the length and breadth of the country. Since the firm was running on wafer thin margins, they decided to eliminate middlemen and instead offered their products directly to retailers and loyal individual customers on a made to order basis.

With the social-media wave offering a whole new dimension of product promotions, Neev too jumped onto the bandwagon. With the help of the dynamic interns that it hosted through its internship program, a full-fledged social-marketing campaign was launched with Neev registering a strong presence on Facebook, through blogs and product reviews on on-line healthcare forums. As the word of Neev's high quality product offerings spread, the customer base of Neev's products grew manifold and orders started flowing in. Customers could now view product catalogues on Neev's website and place orders online. The website and blogs also offered the founders the perfect platform to propagate their vision of a self-sustainable rural community.

In 2011, Neev started partnering with niche e-tailers in the personal care segment to enhance the online visibility of its products. Its current niche e-tail partners are 10 in number and include the likes of Craftsvilla, Natural Mantra, Green'n'Good, Shop Healthy and Think of Us. These e-tail channels account for merely 12%-15% of Neev's total product sales. Being niche players, they charge a higher margin on the prices with products often being offered at 30%-40% discount on the maximum retail price.

Going the E-tailing and Export Way:

The annual turnover of the enterprise has touched Rs. 4.5 million and is on an upward trajectory. The Jains believe that it is high time for them to explore novel avenues to market their product. With the high penetration of phones in India and with improving internet connectivity, e-commerce firms are expected to reach millions of new users in the coming years. Having established the fact that consumers are ready to transact online, e-commerce sites have shown that they can scale up very fast to meet the ever rising demand. More than 30%²⁴ traffic on e-commerce platforms is now coming from mobile phones and tablets which further augment the growth prospects. India has close to 10 million online shoppers- a figure that is

²⁴ E-commerce in India: Understanding its uniqueness – A market Report by ICICI-First Data. Sourced from (<http://www.firstdata.com/icicimerchantservices/icici-insights/ecommerce-in-india-unique.pdf>)

growing at an estimated CAGR of 40%-45%²⁵ vis-à-vis a global growth rate of 8%-10%.

Currently, a majority of Neev's store sales can be attributed to metros and Tier-I cities. 30-40%²⁶ of total sales of the e-tailing industry already come from tier II/III cities. The penetration of modern retail outlets in tier II/III cities is much lower than that in tier I cities. In order to penetrate into the untapped customer base in the tier II/III cities, Neev has a great opportunity to leverage the potential of e-tailing.

E-tailing- Challenges and Opportunities:

A study by McKinsey and Co. concluded that India was on the verge of an internet boom with an internet user population base in the range of 330 million to 370 million. This gave India the second largest base of internet users in the world behind China. The explosive growth in internet usage has more recently led to a corresponding growth in online business and e-commerce. This growth presented both great opportunities as well as some unique challenges

The first challenge for e-commerce retailers in India is collecting payment. Less than 2% of

Indian consumers own credit cards and 90% of all retail transactions are conducted in cash. As a result most e-commerce sites are forced to offer a Cash-on-Delivery (COD) option. However, as per one estimate 45% of all COD orders are rejected at the point of delivery by the customer. This is clearly expensive and not a very sustainable business model. The problem is compounded by the fact that most e-tailers also offer free shipping to acquire and retain customers. But Neev's offerings were priced quite low per SKU and hence neither free shipping nor COD would be financially viable. The only way Neev stood to make the e-tailing model work was by bundling 4-5 different products into packages and giving a healthy discount to the e-tailers in lieu of the promotion and logistics associated with delivering the products to the end customers.

The second challenge is dealing with the actual logistics and delivery of goods ordered online. Many e-tailers are setting up their own warehouses and delivery centers to extend their reach and streamline operations. Other factors that are making it harder for e-commerce companies to survive include razor thin gross margins due to deep discounts and intense price competition. In fact many items are sold at a loss to attract customers. The largest player Flipkart is yet to turn a profit. Since, consumers are increasingly turning to e-tailing sites for FMCG products and the demand for Ayurvedic body care products is on the rise, e-commerce sites will be interested in offering Neev's products through their on-line channels. Again, deciding

²⁵ E-commerce in India: Understanding its uniqueness – A market Report by ICICI-First Data. Sourced from: (<http://www.firstdata.com/icicimerchantservices/icici-insights/ecommerce-in-india-unique.pdf>)

²⁶ Bhinde, Aashish, Sharma, Karan, Suneja, Sanchit, Agrawal, Anshul and Mishra, Kanchan (2011) "India goes Digital: A Birdseye View of the Indian Digital Consumer Industry", Avendus Capital Industry Report. Sourced from: (http://www.avendus.com/Upload/NewsLetter/India_goes_Digital.pdf)

the appropriate margins and discounts for e-tailers is something that Neev needs to take a call on.

It's very possible, however, that rather than becoming an e-commerce nation, India could become an m-commerce nation. Mobile penetration in India is extremely high and increasingly cheap smartphones mean access is becoming more possible for more people. Within three months of the launch of its mobile app, 65% of Indian fashion portal Limeroad's total sales are now coming from the mobile. If the foray into e-tailing becomes successful, Neev might also explore the scope of introducing a mobile shopping app.

Exporting- Challenges and Opportunities:

India's share in the export of herbals is just 0.2% of the total global herbal market. So there is obviously vast scope for Indian manufacturers for entering the growing worldwide opportunity of business. With the international market evincing interest in traditional Indian products, several niche personal care players are set to foray into the export route.

The Indian government has given incentives to entrepreneurs for registration of their products for exports to focus countries. The government has also taken a positive step towards promoting these products through international conferences, road shows and trade forums organized by the industry bodies like Confederation of Indian Industries (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI).

With the great potential and opportunities, there are many pitfalls and challenges along the way as well. There is a lack of harmonization in safety and quality evaluation parameters and registration procedures practiced by Indian manufacturers and the standards adhered by other nations. Secondly, the high registration fee for some of these Ayurvedic products in developed countries leads to prohibitive transaction costs for exporter.

If Neev intends to throw its hat into the export bandwagon it has to first become a preferred supplier by adhering to globally accepted Good Manufacturing Practices (GMP) compliance requirements. This would call for some serious upgradation of its facilities and may even require it to adopt a more mechanized manufacturing process, a temptation that the Jains have resisted over the years.

On the demand front too, Neev has to efficiently manage its production to ensure that export would not shift their focus from domestic demand, which is also on the rise. The foremost aim would be to take care of the domestic demand and then focus on exports. They would have to develop a reliable distribution network and loyal overseas customer base to sustain the demand for exports.

The Road Ahead:

Maintaining an appropriate balance between social impact and financial viability is the most critical facet of social entrepreneurship. Dr. David Rendall calls social

entrepreneurs tightrope walkers” because they are constantly hovering in mid-air between their social purpose and marketplace realities.

After a long telephonic conversation with Saurabh, Anurag and Shikha engage in a comprehensive analysis of the contribution of niche e-tailing sites to the business growth at Neev, clearly with an eye on exploring mass e-tailing options. They are also seriously considering the scope of expanding the reach of their products beyond national shores through global distribution agreements. But they realize that getting the license for exports is no child’s play. Besides upgrading and expanding their manufacturing operations comes with its share of challenges.

As a social-enterprise, Neev is at a crossroads. *“Export entails a lot of risk. We are not sure if we are quite ready to take that kind of risk at the moment. But we are very much open to the idea of taking our products to global markets and export is something we are not averse to”*, says Anurag in a cautious tone.

Both Anurag and Shikha had been deeply influenced & inspired by the philosophies of Gandhi , J. Krishnamurti, Sri Aurobindo & Vivekananda and wished to establish a venture that would work towards the greater good of society. Now that Neev has lived up to its envisioned objectives, Anurag has a new vision of developing the Neev School of Integral Learning as a platform to promote the spirit of entrepreneurship among the tribal communities and propagate the concept of Integral Living as a harmonious way of life. He realized that for the holistic upliftment of these grossly neglected tribal communities Neev couldn’t be the ultimate stakeholder, but rather a harbinger for many such innovative enterprises.

The couple has some really crucial decisions to make, decisions that will shape the future of Neev. Should they look to develop distribution channels outside India? Is it the right time to expand further and bring in more advanced machinery into the manufacturing set-up? Would an expansion initiative compromise on the core values of Neev?

As Anurag ponders over these questions, he looks at an upcoming meeting with a delegate of retailers from Japan with a renewed perspective. This just might be the break the enterprise was looking for, the launch pad for exporting their products to the international market.

Appendix 1: Key Drivers in Indian e-tailing Industry²⁷ :

Indian e-tailing industry was estimated to be at Rs 3,600 crore²⁸ (US\$800 mn) in 2011 and estimated to grow to Rs 53,000 Crore (\$11.8 billion) in 2015.



Appendix 2: E-Commerce Models Prevalent in India:

Mass vs. Niche merchants²⁹:

- Niche e-tailers offer category-specific products such as apparel, electronics, cosmetics etc. E-tailers which deal with multiple categories/segments are termed as mass merchants.
- A mass merchant site has the obvious advantage of a higher lifetime value of then customer, due to the multiplicity of products which it can sell to the same person. By virtue of this, a mass merchant would always be able to spend more or offer greater discounts to get a customer than a niche merchant.
- Niche merchant must find ways to differentiate through high quality merchandise, deeper product catalogues or exceptional service in that niche category.

²⁷ E-commerce in India: Understanding its uniqueness – A market Report by ICICI-First Data. Sourced from: (<http://www.firstdata.com/icicimerchantservices/icici-insights/ecommerce-in-india-unique.pdf>)

²⁸ Bhinde, Aashish, Sharma, Karan, Suneja, Sanchit, Agrawal, Anshul and Mishra, Kanchan (2011) “India goes Digital: A Birdseye View of the Indian Digital Consumer Industry”, Avendus Capital Industry Report. Sourced from: (http://www.avendus.com/Upload/NewsLetter/India_goes_Digital.pdf)

²⁹ Bhinde, Aashish, Sharma, Karan, Suneja, Sanchit, Agrawal, Anshul and Mishra, Kanchan (2011) “India goes Digital: A Birdseye View of the Indian Digital Consumer Industry”, Avendus Capital Industry Report. Sourced from: (http://www.avendus.com/Upload/NewsLetter/India_goes_Digital.pdf)

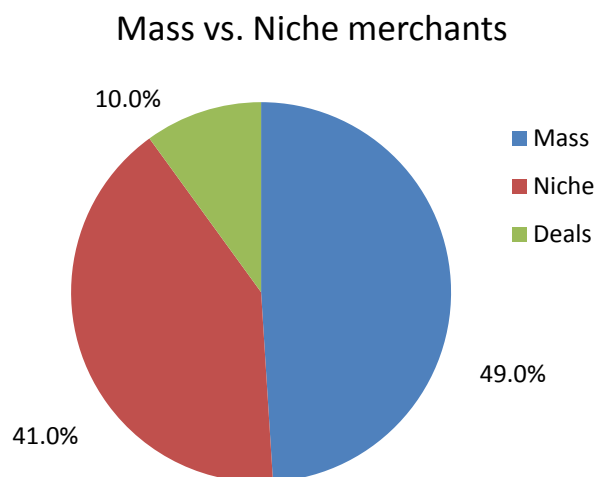


Fig 1: Market share of mass and niche e-tailers in India (2011)
Source: India goes Digital report by Avendus Capital

Appendix 2: E-Commerce Models Prevalent in India (Continued):

E-tailing vs Marketplace model:

Parameter	E-tailing	Marketplace
Business Model	Buy from suppliers and sell to customers	Act as interface between suppliers and customers
Listing	Products	Products along with sellers
Transaction	Between business and customer	Between seller and customer
Sourcing	Manufacturers/ Distributors	Retailers
Inventory Risk	Yes	No

Table 1: Salient features of E-tailing and Marketplace models
Source: India goes Digital report by Avendus Capital

Appendix 3: Overview of Indian e-tailing Market:

Mass Market Players:

- 1) **Flipkart³⁰:** Flipkart is an e-commerce company founded in 2007, by Sachin Bansal and Binny Bansal. Though it is registered in Singapore and majority of its shareholders are foreigners, it operates exclusively in India and is headquartered in Bangalore. Because foreign



³⁰ Flipkart Official website (<http://www.flipkart.com/about-us>)

companies are not allowed to do multi-brand e-retailing in India, Flipkart sells goods in India through a company called WS Retail. Other third-party sellers or companies can also sell goods through the Flipkart platform. It has more than 20,000 employees, 13 state of the art warehouses and generated ~\$1.0 billion in gross merchandise sales for 2013-2014.

2) Amazon India³¹: Amazon India is the Indian arm of the global e-tailing giant



Amazon. In early June 2013, Amazon.com launched their Amazon India marketplace without any marketing campaigns. In July, Amazon had said it will invest \$2 billion to

expand its India business.

3) Snapdeal³²: Snapdeal.com is an online marketplace, headquartered in New Delhi, started by Kunal Bahl, a Wharton graduate, in 2010. Snapdeal has



grown to become the largest online marketplace in India offering an assortment of more than 4 million products across diverse categories from over 20,000 sellers, shipping to 4,000 towns and cities in India

³¹ Business Today Article Sourced from: <http://businesstoday.intoday.in/story/amazon-to-invest-2-billion-in-india-after-flipkart-funding/1/208693.html>

³² Snapdeal Official website (<http://www.snapdeal.com/info/aboutus>)

Appendix 3: Overview of Indian e-tailing Market (Continued):

Niche Market Players in the Personal Care Segment:

- 1) **Craftsvilla³³:** Craftsvilla is an online marketplace that deals in Indian handicrafts, Jewellery, clothing etc. Craftsvilla.com uses a marketplace model to capture the regional variations of India. We connect local artisans and designers directly to global customers and thereby increase their livelihood, remove middlemen, help them create/promote their brand and thereby preserve our culture, traditions and values. Craftsvilla.com is funded by US based Investors: Nexus Venture Partners and Lightspeed Venture Partners.



- 2) **Natural Mantra³⁴:** Natural Mantra is an online marketplace for health conscious people, offering a wide range of trusted and genuine natural, organic, ayurvedic and earth-friendly products.



- 3) **Shop Healthy³⁵:** ShopHealthy.in started operations in late Oct 2012 as an online marketplace for health and beauty products including organic grocery supplies, dietary supplements, green superfoods, natural edible seeds, Ayurvedic medicines for various health conditions, herbal bath and body products, SLS-free natural beauty supplies, organic clothing, homecare products and sports nutrition supplements.



- 4) **Think of Us³⁶:** Think Of Us is part of Shyam group , a 35 years old diversified corporate having business interests in Telecom, Manufacturing, Retail, Distribution etc. It is the official e-tailing partner of Neev and prominently displays Neev products in its personal care category



³³ Craftsvilla Official website (<http://www.craftsvilla.com/about-us-craftsvilla/>)

³⁴ Naturalmantra Official website (<http://www.naturalmantra.com/#>)

³⁵ Shophealthy Official website (<http://www.shophealthy.in/>)

³⁶ Thinkofus Official website

(<http://www.thinkofus.in/index.php?route=product/categoryandpath=82>)

Appendix 4: Overview of Indian Personal Care Market:

Skincare Products Market: 2011

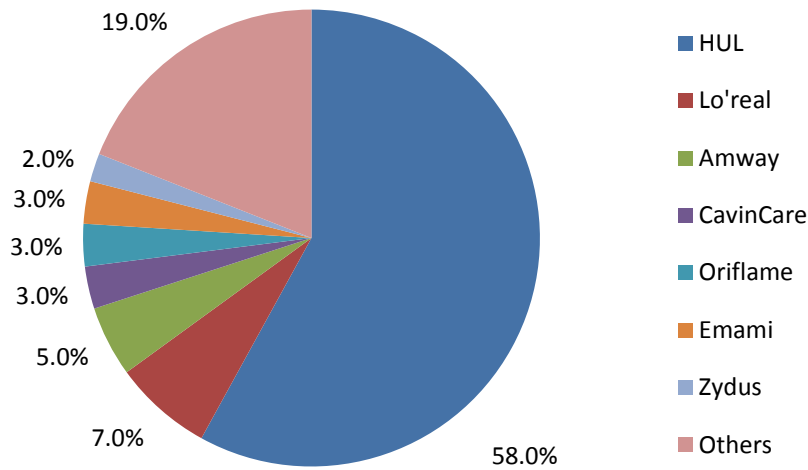


Fig 2: Market share of skincare product companies in India (2011)
Source: Home and Personal Care report by Dinodia Capital Advisors

Bath and Shower Products Market: 2011

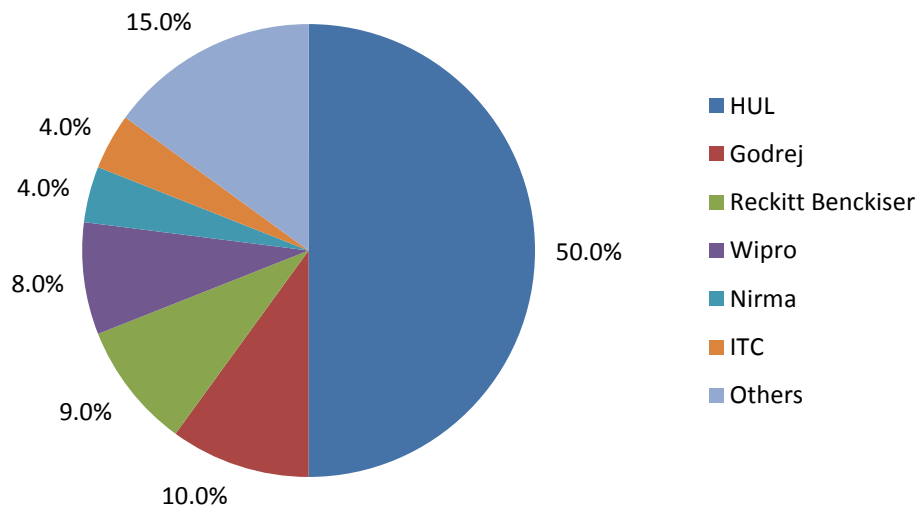


Fig 3: Market share of bath and shower product companies in India (2011)
Source: Home and Personal Care report by Dinodia Capital Advisors

Appendix 5: Overview of Neev’s Financial and Operational Statistics:

Evolution of Sales (2007-2013):

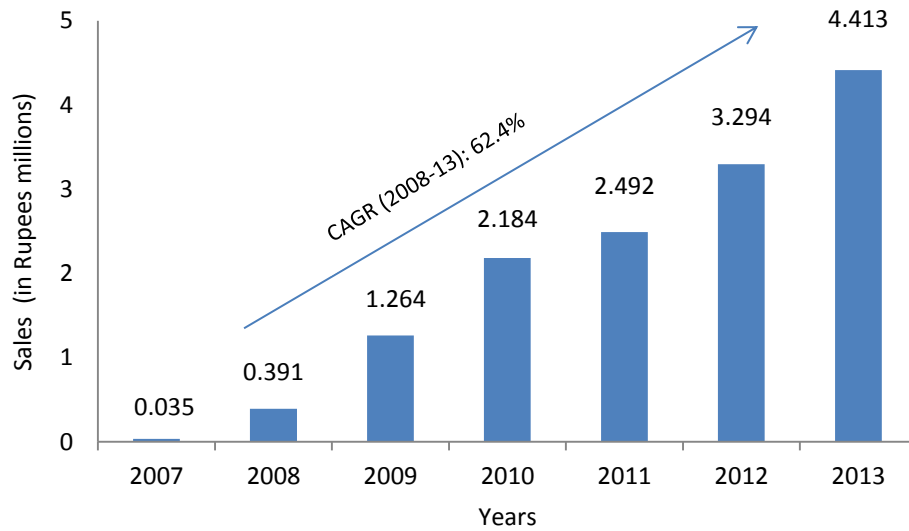


Fig 4: Annual sales figures growth from 2007-2013

Source: Company progress report provided to the authors by the management of Neev

Soap Production Volume Growth (2007-2013):

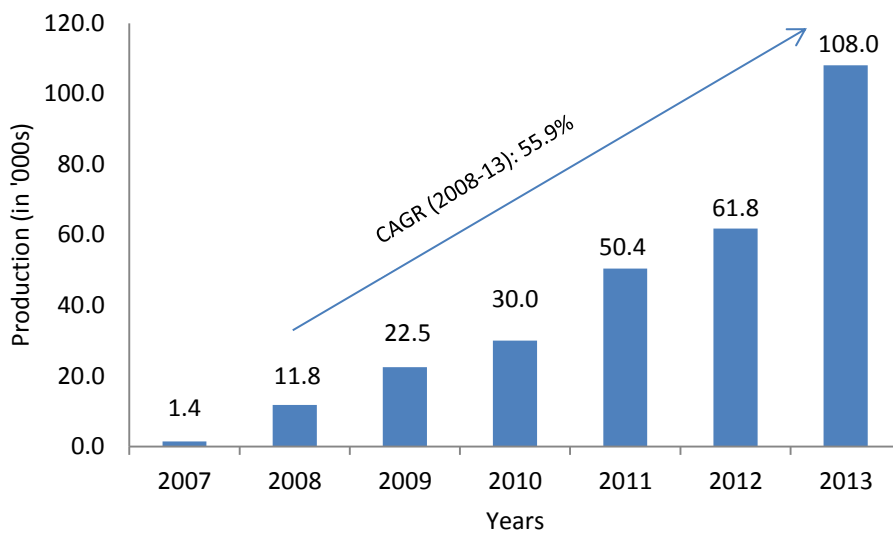


Fig 5: Annual soap production volumes from 2007-2013

Source: Company progress report provided to the authors by the management of Neev

Appendix 5: Overview of Neev’s Financial and Operational Statistics (Continued):

Growing Retail Outlet Reach

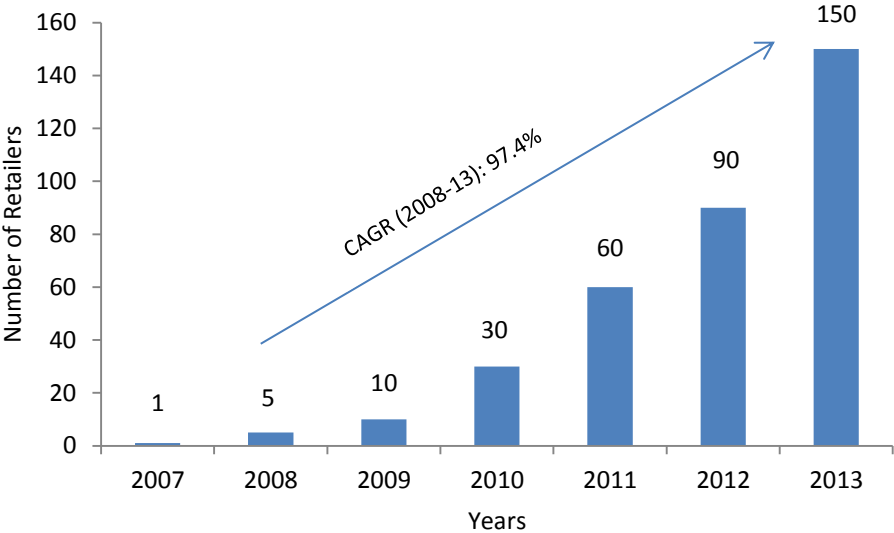
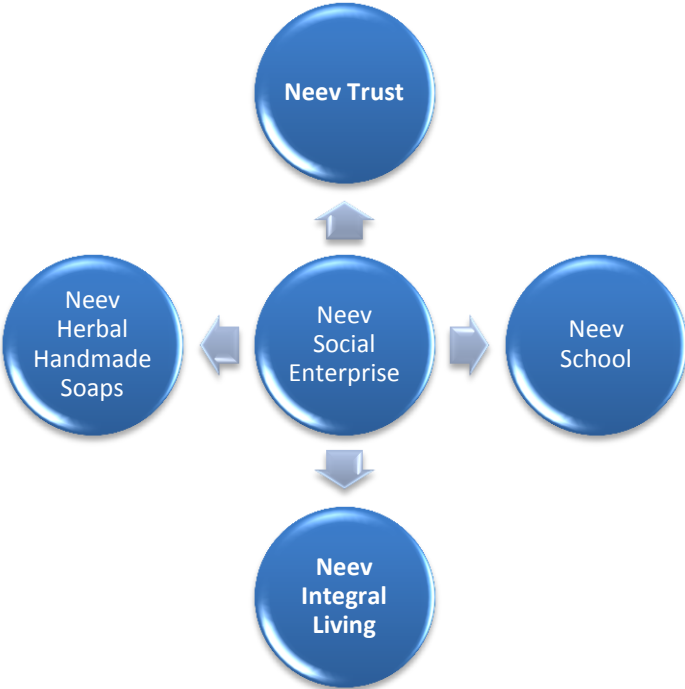


Fig 6: Evolution of the number of retail store partners from 2007-2013
Source: Company progress report provided to the authors by the management of Neev

Appendix 6: Overview of Neev’s Social-Enterprise Paradigm:



Source: As described to the authors by the management of Neev

Appendix 7: Neev’s Core Values:



Source: As described to the authors by the management of Neev