Case Study Series - Villgro Innovations Foundation
Rope International

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About Villgro
Villgro Innovations Foundation works to identify, finance and support early-stage social enterprises that promote innovative products and technologies in the health, energy and agriculture sectors, and have clearly defined potential to positively impact rural and peri-urban India. Villgro has been in operation for over 10 years and has financed and supported over 50 social enterprises. Social enterprises supported by Villgro have collectively gone on to raise over INR 200 million in follow-on funding and have impacted the lives of an estimated 400,000 rural Indians.

Villgro differentiates itself with its high-touch mentoring and support services. Villgro’s advisory services go beyond traditional consulting roles to encompass domain-specific mentoring, strategic and operational planning and access to key industry stakeholders in an enterprise’s sector of operation.

For more information, please visit http://www.villgro.org/

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The excitement is palpable in the Chennai office of Rope International (Rope) in the IITM Research Park, Tharamani in June 2012. Five years after its inception in 2007, the successful natural fibre-made home décor and lifestyle products manufacturer has a mint-fresh business model and is ready to set off on a new growth path. The new business model which retains the existing manufacturing business now includes an additional track – that of manufacturing and marketing lifestyle and home décor products under the Rope brand, in addition to private label manufacturing for other brands. As founder Sreejith N N and fellow investors and directors, Patrick Fischer and Dr. Aarti look forward to a new set of opportunities and challenges, they also look back to their early days of small scale manufacturing using natural and locally available raw materials for insights they can leverage for going forward. Their growing understanding of the sector and landscape they operate in is the first step.

India’s rural areas have a significant number of people engaged in non-farm activities. A subset of this group is that of rural artisans making handicraft products using traditional designs and weaves. Interest in these apparel, accessories, lifestyle and home décor products has been increasing, both in India and overseas. In response, the market has numerous exporters and middlemen who contract with buyers on one end and rural artisans at the other end, to deliver assigned orders. Some non-governmental organizations (NGOs) too work in different rural pockets of India, providing training to artisans, and making a difference in the lives of the artisans through empowerment and livelihood generation. Yet, these efforts tend to be assignment based, and therefore, often infrequent. While NGOs provide fair pay and livelihoods, they are not well-connected with the markets. The exporters and middlemen, on the other hand, are well connected with the markets, but often tend to stay away from highly labor and skill intensive, unorganized handloom weaving and handicraft sectors. Working with these artisans demands additional efforts in product development, intensive monitoring and follow up for timely delivery and quality. It also requires continuous training and capacity building in addition to co-ordination of production by geographically-spread artisans unlike handling of production within a factory as they are used to. In order to address this gap, social enterprises such as Rope emerged, with innovative business models that provide livelihoods to rural artisans in a commercially sustainable way.

Rope’s business model of manufacturing with a hub and spoke model has the potential for scale. The organization has more than 50 satisfied retail and chain store clients in India and abroad. Happy with their performance and quality standards their two large customers have recently indicated to them that they are interested to order more products in existing and newer categories. Also with the help of Andrew, the new Vice President of Business Development, Rope is all set to add some of biggest Indian retail chains to its list of buyers. Additionally, Rope is now set to tap end users directly with branded Rope products through brick and mortar specialty stores as well as online portals. Rope’s customer centric focus has helped it break-even since 2009-10 when its revenue was INR 1.5 crore (~US$ 277,000). The organization is targeting revenues of INR 58 crore (~US$ 11 million) by 2017. Important questions that Sreejith and his team face center on their new business model and their plans to build the Rope brand. How can they leverage their unique rural experience and knowledge to enhance customer experience of Rope branded products? How can they reach maximum
customers quickly through channels that are contemporary as well as proven? How do they balance their private label manufacturing business, which is bringing maximum revenue currently with the new focus on the Rope brand? Lastly, how do they ensure they continue to achieve positive social impact to the artisans they work with?

**Sector Background**

India’s rural population is predominantly engaged in agriculture. The distribution of labor between farm and non-farm activities, however, is slowly but surely changing. With agriculture becoming increasingly mechanized, labor is released for other activities. Also, agricultural incomes are often lower than non-farm income in rural areas. This had drawn labor away from farm-based activities, growing the number of people employed in the non-farm, unorganized sector. Artisans form a noticeable component of this non-farm, unorganized sector. They comprise potters, weavers, blacksmiths, sculptors and handicrafts makers. According to a report by the National Commission for Enterprises in the Unorganized Sector (NCEUS)\(^1\), 14% of India’s 456.5 million strong work force is employed in unorganized sectors. The Indian handicrafts industry is estimated to employ close to 6 million artisans.

In addition to their being unorganized, there are several other reasons why rural artisans need to be supported and promoted. While efforts are being made to better integrate the farming community in rural areas with urban markets, a majority of farmers continue to earn low prices for their produce and bear the risks associated with weather changes. Also, traditional skills such as basket weaving and embroidery continue to be passed down generations, especially among women and young girls. In the absence of a livelihood based on these skills, they are used to create articles for personal consumption. The unorganized non-farm sector presents avenues to generate employment opportunities, increase rural household income, empower women and improve the quality of lives at the Base of the Economic Pyramid.

**Challenges for Rural Artisans**

While rural artisans are becoming more aware of interest in their craft, their skills remain traditional, and their processes are not suited for scale. Besides, buyers in the Indian urban markets as well as those in global markets look for traditional skills used to create designs with a modern take and consistent quality and finesse for large order sizes. The rural artisans, who are able to deliver small lots with a few designs at a time, are unable to adhere to quality and timeliness when faced with bulk orders.

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The government is working to create adequate policies around non-farm rural livelihoods, but the focus remains on other trade skills suited to small scale manufacturing. There is no clear policy support to recognize rural artisans. While rural development initiatives exist, rural artisans’ links with these programs remain weak. They are, therefore, not exposed to skills development or improvement, and any research and development done in the field remains confined to the R&D institutions. Without adequate infrastructure to facilitate market access, they are largely unaware of potential orders for their work and not equipped to strike a good price should they gain some assignment. Finally, rural artisans are forced to use personal funds or borrow from money lenders at high rates of interest as they lack access to formal finance. This forces them to remain in the low scale-low quality cycle.

**Demand for Indian Handicrafts**

Indian handicrafts – from fabrics and accessories to home décor and lifestyle products - have enjoyed steady and growing interest from urban Indians. Global interest too seems to be increasing, with India’s handicrafts exports reported to have grown by 17.5% year-on-year to

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**Government Programs**

**National Bank for Agriculture and Rural Development (Nabard)**, set up in 1982, promotes integrated rural development. It supports rural artisans with credit and non-credit approaches.

The National Commission for Enterprises in the Unorganized Sector (NCEUS), set up in 2004, provides support infrastructure to small businesses for developing linkages for credit, raw materials, skills development and technology upgradation.

**Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** was set up in 2005 with an allocation of INR 100 crore (~US$ 18 million) to develop, support and create employment opportunities in traditional industries.

**National Small Industries Corporation (NSIC)** was set up in 1955 to promote the growth of small businesses.
2.7 billion in 2011-12.

In addition to buoyant exports, domestic sales are also seeing an increase. In India, handicrafts are typically sold to the end user through exhibitions, local stalls and stores in India’s many tourist destinations and state handicrafts emporia that are found in most cities in India. Rural artisans primarily sell to bulk buyers, who own retail shops or connect them to export firms. These middlemen and the bulk buyers are in touch with the end user market. They, therefore, provide inputs in terms of prototypes, designs and colors that artisans use. Middlemen tend to work assignment to assignment, often with gaps between two assignments. Also the orders they bring vary in size, which means that the artisans work for varying incomes for varying durations of time each year.

Bulk buyers, both for domestic sales and export markets, find it challenging to meet the demand for quality and trendy designs at adequate scale with current rural artisan efforts. The market therefore, is not fully explored. Having said that, demand for these lifestyle products are driven by current fashion and trends in India and overseas.

**The Competitive Landscape**

The competitive landscape consists of organized factory model manufacturers like big mills, organizations pursuing the NGO model working with artisans from different parts of the country, and middlemen or commission agents, who are the bridge between rural artisans and exporters. There are a few social enterprises that have emerged in the last decade, with dual aims of achieving social impact through provision of livelihoods and employment in rural areas and financial sustainability.

Social enterprises such as Rope enjoy several competitive advantages. They are more agile and flexible than factory model producers who have high fixed costs in real estate and machinery. The factory model producers are also unable to offer the degree of customization that clients demand of them, which the social enterprises can. The NGO model producers are unable to meet the social enterprises’ efficiency levels in delivery and cost. The middlemen or commission agents, because of their

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2 Handicrafts exports grow 17.5% to $2.7 bn in FY12. *The Hindu Businessline.*
http://www.thehindubusinessline.com/industry-and-economy/article3303730.ece
assignment-based model, are unable to meet clients’ exacting quality standards, assure them of ethical production processes or deliver at higher scale.

At the retail end, traditional weaves and natural fibres with modern designs used for apparel, furnishing, home décor and lifestyle products are currently seen as trendy. With local demand and income levels increasing there has been an upsurge in the number of retail outlets and private sector players in this space, especially in India’s metros. These retailers adopt the stand-alone, stores in malls and shop-in-shop models for their brick and mortar stores. Most current private sector players have between one and six stores, mostly in the metros. Many of these enterprises also have a significant online presence, through their own site, on resellers’ sites and also through virtual shop-in-shops.

Several online portals dedicated to selling rural handicrafts are active and have seen sales pick up in the last couple of years. These portals sell to domestic as well as overseas customers by leveraging the internet. With more secure payment gateways as well as cash on delivery options, buyers in India too are shopping for handicrafts online. K Vaitheeshwaran, founder of indiaplaza.in says that e-tailing is growing in India, and the handicrafts category is growing by 50% for the last two years. He adds, “I think there is a lot of latent demand to buy handicrafts online. However, online retailers have not yet cracked the complete user experience that will really scale the numbers up.” Most enterprises offer a broad range of handicrafts that are both, for daily use as well as aesthetics and décor. The products can be categorized into apparel and fabrics, accessories, lifestyle products and home décor across a wide range of prices.

Social enterprises have been successful in addressing some of the challenges in working in the handicrafts segment such as market knowledge, design, quality standards, efficiency at scale and equitable and fair pricing to the artisans. They, however, face other concerns related to scaling their business model while remaining true to their dual objectives of social impact and profits. These challenges include remaining sustainable at scale over a period of time, coordinating and working with rural artisans who are in remote locations and possibly spread over more than one state and remaining clued into fast changing trends and designs. In response to these challenges, many enterprises now have their own brands and are able to make better margins for themselves and the artisans. Further, their foray into online sales not only gets them a wider customer base but also better margins due to lower front-end costs of selling. Repeat orders from international customers, who work closely with these organizations on planning and design, has helped them gain expertise on managing quality standards at increasing scale. Finally, these enterprises are constantly seeking ways to improve elements of their business model – especially, raw material procurement and distribution – in a bid to scale up at a rapid rate.

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Rope International

Rope initially started as a project incubated within the Telecommunication and Networking Group (TeNeT) and later the Rural Technology and Business Incubator (RTBI) in IIT Madras, led by Professor Ashok Jhunjhunwala. ROPE branched off as a separate company in April 2008.

As a result of Sreejith’s background in rural microfinance and work with village communities, Rope was strongly rooted in rural manufacturing and focused its ideation on how to bring manufacturing opportunities to the villages, and thereby reduce rural migration and improve rural livelihoods. In much the same way as BPOs brought jobs to smaller towns and villages, Sreejith’s study revealed that a model using local workers with buyback partners was the ideal and scalable way to bring manufacturing to the rural areas. Rope’s plan was to outsource production from large scale organizations to village level units creating employment for non-farm workers in or near their villages.

At RTBI, Sreejith received help in conceiving the idea of rural outsourced manufacturing. The incubator gave Rope an office space to work in and even paid the salaries of the team for nearly a year. Rope received seed funding for its operations, guidance and help in attracting early clients, suppliers of raw materials and other investors. Importantly, the Rope team received insights on the benefits of using ICT and how it can help the organization efficiently plan distributed production. RTBI invested INR 5 lakh (~US$ 9000) in Rope and the National Research Development Corporation made an investment of INR 30 lakh (~US$ 55,000).

Sreejith’s interactions with Dr. Jhunjhunwala led the team to explore many manufacturing-based sectors. Interestingly, the Rope team never planned for it to be crafts-based or focused on artisans. Rope experimented with outsourced manufacturing in different products.

Looking Beyond Cost Arbitrage

There was a reason why the founders of Rope conceived it as a rural manufacturing company that produces environment-friendly goods (and not necessarily a crafts company). According to them the Indian growth story of the last two decades was mainly based on the growth of services sector including IT and allied services. In this process India set a different path for its national GDP growth, which was to move directly from agriculture to services and high-tech industries skipping a phase of growth in low-tech, labor-oriented manufacturing activities. This resulted in wider inequalities of income and greater migration to cities by rural poor.

This is the context in which Rope was originally thought of as job-creating, manufacturing company, which takes production of different goods to villages through a distributed production model. But, after attempting manufacturing of few different products, the Rope team realized that for sustained competitive advantage they should convert the rural locations as an advantage beyond mere cost arbitrage. This is how Rope started working with locally available renewable materials and skills of local artisans.
Eventually, they realized that if they had to do manufacturing for industries like leather or electronics, the only competitive advantage would be cost arbitrage due to lower labor costs. Says Sreejith, “This was not sustainable in the long run because it meant extremely low barriers to entry. It would be a matter of time before new players emerged, who can manage with even lower costs. In the end, the rural workers would lose too.” The team realized that true competitive advantage in manufacturing in villages would come from using locally available material and local unique skills and talent.

Armed with this clarity, they were introduced to new buyers like Industree and Fab India. Soon, Rope team started working with them, training artisans in creating the products as per their requirements. Rope had soon developed lines of access to natural materials in rural areas. By showcasing these networks, the team soon got orders from overseas – their first overseas order was for cut banana bark pieces for a paper manufacturing company in the U.S. Says Sreejith, “Rope is not a craft-only company, we use village material and skills to cater to urban markets. We were open to experimenting with different materials and different industrial and domestic product options like, pellets from agri waste and composite ply wood products from natural materials. We were primarily looking to build competitive advantage through new products that appeal to urban markets.”

Rope’s Founders

Rope’s founders came from different backgrounds, but with similar and dovetailing objectives. Sreejith has a post-graduate degree in Development Management and experience in rural microfinance. His aim was to take jobs to rural areas and improve their livelihoods in a sustainable way. He was soon joined by Patrick Fischer, who came from the U.S to settle in Chennai with a view to start his own social enterprise. He is a graduate from the Kellogg School of Management (USA) and has worked with Population Service International (PSI) in Namibia. They met through a common friend, and found that their ideas matched. They decided to join forces and work on one social enterprise rather than two separate ones. The last of initial core team members, Dr. Aarti was a consultant to RTBI and was closely associated with ROPE from the start.

Rope and Villgro

Rope’s focus on livelihood creation in rural areas using a financially sustainable model is an example of social entrepreneurship. Social enterprises, or start-up enterprises, are organizations that have dual aims of financial sustainability and social impact.

Rope is an incubatee of the Villgro Innovations Foundation, a Chennai-based social enterprise incubator and early stage investor that provides seed funding, mentoring and networking opportunities to social enterprises that have the potential to scale up and transform rural India.

In Rope, Villgro saw a business model that would not only create employment at the BoP, but also have impacts on rural-urban migration, women’s empowerment and keeping traditional skills alive.
The Early Years

By late 2007, Rope had started bagging early orders with small sales values of INR 10,000 – INR 20,000 (~US$ 185 – US$ 369). The first of such orders came from Industree Crafts, which was looking specifically for rope made from banana fibre. Since this material had to come from the villages, and was in short supply, Industree wanted Rope to set up a unit to source and make this banana fibre rope.

Rope built the know-how, set quality standards, identified funding sources and set up units to deliver on this order with 3 “rural entrepreneurs”. Sreejith explains that Rope’s rural entrepreneurs are from different villages, and lead teams of artisans. They secure orders from Rope for their teams, and employ locals to create a network of distributed manufacturing locations. In time, Rope mapped banana cultivation and identified people to build linkages with for scaling up. For the banana cultivators this was a value addition – they now found a market for material they would earlier throw away. Rope gave them training and an advance to set up a small unit employing 25-30 people for separating, cleaning and storing the banana fibre and then manufacturing rope from fiber using machines, which are hand rotated wheels specially designed and bought from a manufacturer in Kerala. Although they struggled initially, productivity improved as did quality in 2-3 months.

After a few orders, demand tapered off. The rural units had nothing to do, and Rope was left with no customer. Since they had the system in place to procure raw material and trained skilled artisans who could work with it, the Rope team felt that they should now explore opportunities for value addition to the raw material. It was clear to Sreejith that unless Rope added value to the raw material they would not get many more customers. Rope hired designers and started making bags. Says Sreejith, “It was taken up more as a compulsion, in order to keep the artisans busy.” They found that these products have a bigger market and higher margins – Rope had, thus, found its niche in bags and home furnishings.

Scaling up

Soon, Fab India and few other stores started placing orders with Rope. The company also started getting orders for corporate gift items and conference giveaways. Sreejith says that these were good orders and the customer base started to increase from there. Rope bagged an INR 20 lakh (~US$ 37,000) order for giveaways for a conference in
Chennai, where they had to deliver 3000 bags.

Rope engaged a designer, made a presentation of several designs for this order. One of the designs was approved, and Rope was in business – now, says Sreejith, the scale of operation was different. He adds, “We had to set up systems to ensure procurement and regular flow of raw materials. We had to plan and track the progress of production to ensure we followed a schedule as this was a time bound order.” And to make elegant executive bags in the selected design, they needed to invest in raw materials and accessories that were not necessarily made of natural fibre or available locally, such as zippers, buttons and also leather trims for finishing. The artisans also needed training to work with these materials. This high level of work increased the team’s capacity and made them more professional. Rope had, by now, started looking for more orders of a similar scale and type.

In 2008, Rope heard about a large International retail chain that had an office in Chennai, and approached them. They were interested in possibilities Rope offered and wanted Rope to come up with new designs and collections. They further helped Rope to connect with their Indian suppliers. One of them, at that time was importing nylon bags of a particular design from China. Says Sreejith, about this initial meeting, “They asked us if we could make that design in natural material.. We then made samples using different materials.. Finally one of them was selected.” The order came Rope’s way – and this time it was for a staggering 60,000 bags per month. Adds Sreejith, “We were naïve, we did not understand capacity.”

The Rope team agreed on a plan and started work, but floundered to meet delivery at that scale and could not even manage 5000 bags a month. Rope then formed a larger team, in multiple locations in Tamil Nadu, worked on a better plan for raw material procurement. They recruited 300 people in 3 months, trained them in productivity and quality issues. Says Sreejith, “This took about 5 months and the production figures moved up to 50,000 per month.” The Rope team gained customer confidence because they were now producing more, were not dependent on one supplier for raw materials, and had made a more realistic production plan.

Villgro’s support to ROPE
Support ranged from talent to business management. It helped the ROPE team work on its business plan and improve revenue projections. Villgro conducted multiple business strategy revamping sessions with ROPE’s management to concentrate on very specific market segments. It also initiated and executed on a parallel project with ROPE to facilitate and finance the creation of a Banana Fibre Rope making machine.

Villgro’s fellow, through its Fellowship Programme helped ROPE address caveats in ROPE’s MIS and reporting systems. Finally, it helped build systems for scale when it tested out profit centers in five parts of Tamil Nadu. This has now become a cornerstone of their production model.
Currently, this order is now up to 80000 bags per month. Additionally, Rope bagged newer orders for other products from them in 2010-2011. With this, Rope has been able to consistently bag continuous and large volume orders each year for four years in a row now.

In addition, Rope supplies decorative and utility products like baskets, flowers and flower arrangements, table runners and place mats to boutiques, retail stores and retail chains. Its clientele for corporate giveaways include educational institutions and corporate companies. Rope’s global clients include retail stores in USA and importers from countries like Spain, Germany and Australia, who resell Rope’s products to retail stores in their respective countries.

**New Business Model**

Even as the manufacturing business stabilized and grew, Sreejith and his team realized that they operated in a space where the focus would always remain on costs, and cost arbitrage is a very important competitive advantage for Rope. They would always grapple with questions like how to source the cheapest raw materials, how to manage inventories, how to produce more cheaply and so on. On the other hand, the team was steadily building expertise in other areas that could afford them greater competitive advantages. For instance, their work with global customers helped them understand trends in designs and colors. In order to work with these clients, they also needed to put in place a design studio where a team of master artisans and professional designers developed prototypes as per client’s requirements. This, coupled with their improved access to a dozen natural raw materials, offered them opportunities to experiment with design and develop a repertoire of prototypes and designs that they could produce at scale. They already had a working process, with a hub & spoke manufacturing model that created a network of village-level units (spokes) and a hub at a place central to the village level units. These advantages were not being fully leveraged. Meanwhile, Sreejith also realized that improving cost arbitrage meant that they produced at lower costs each year, which in turn meant that margins were not going to increase substantially nor get passed on to the rural artisans who depended on Rope for their livelihood.

The Rope team started reviewing their business model to seek ways to increase their margins and fully utilize the advantages they had built over time. A clear solution was to continue to grow this manufacturing side, while building new lines of business that strove to increase the margins. With this in mind, the Rope team decided to create a range of products, with the focus on building a brand and creating e-commerce opportunities to cater to individual retail customers. This was seen as a way to earn better margins; reinvest in design and provide value addition for the customers.

Rope had, through their own process of creating groups of rural artisans, built considerable expertise in training. The team had developed training modules and methodology very well, and knew how to work with workers and artisans. A request and subsequent discussion with an MFI opened yet another avenue to leverage their know-how. Rope saw an opportunity in offering this expertise to other organizations, such as MFIs. MFIs also realized that after the
2010 crisis, they needed to offer more than financial services to their members. Says Sreejith, “We are considering partnerships with them to train and potentially consider a buy-back arrangement too.”

Currently, Rope has a senior management team of that includes Sreejith; heads for operations, business development and design; production managers; and managers in charge of procurement, quality, administration and accounts. At the middle level, they have three senior and eleven junior level supervisors. Sreejith admits that Rope faces a challenge in finding the right people, especially now, as the new business model requires people with knowledge and expertise in retailing and customer management.

**Products on Offer**

Rope’s manufacturing business produces utility and decorative products as per client requirements. It has also built a significant portfolio of products that are retailed under its own brand. The catalog of products under the Rope brand is segmented into home décor (floral arrangements), home furnishing (baskets, tablemats, carpets) and lifestyle products (bags). These are also manufactured across Rope’s village level units.

The Rope brand products are retailed in stores as well as through online portals that sell handicraft products. Sreejith plans to increase this number of products available under the brand but is more focused on design and quality. He says, “We do plan to increase the number of products we showcase and sell under the Rope brand. However, we are focused on ensuring that we produce unique designs that are not available under other brands and on high quality.”

While many of Rope’s competitors ventured early on into apparel – readymade garments and unstitched fabrics – Rope has chosen to stay away from this product segment. Says Sreejith, “We do need to diversify to make our brand more complete, and we have considered garments and unstitched fabrics. But we are more likely to procure it in collaboration with someone else, and source a good range at a good price rather than get into its production ourself.” He adds that while they have established the domain expertise in hand made home décor and furnishing products, Rope sees apparel and fabric needs different knowledge and skills.
**Strategies for Growth**

In the process of building its new business model, Rope also put together its strategies for growth, which are built on its strengths.

On the manufacturing side, Rope’s biggest advantage is their ability to understand and manufacture products that their Indian and global clients want – at the design, quality and scale they demand. These clients also seek credible partners. Says Sreejith, “The perception about manufacturers in India in our space is that while they are good at design, they are mostly not credible because they are unable to meet required quality, timeliness and scale on a consistent basis. Rope has emerged as someone who can do this.”

Sreejith adds that these clients are mostly not focused on the social impact angle or whether their order is providing livelihood opportunities in rural areas. He adds “For them it is a welcome bi-product of their act of purchase from us, but not the reason for their working with us and rightly so. The clients see the advantage Rope brings by offering unique, interesting designs and the ability to manufacture and supply products under high labor standards in required quantities at competitive prices with best quality.” This focus and understanding of value offered to customers give Rope its competitive edge in its market.

**Hub & Spoke Manufacturing Model**

Rope currently has two hub and spoke model production clusters - one in Madurai and the other in Erode district in Tamil Nadu. Rope also works with a number of home-based artisans in these two clusters. The village level units are run by their rural entrepreneurs, who employ the artisans. They all coordinate with the central hubs in both these places. This hub & spoke approach emerged as a perfect solution to client needs and the labor shortage they faced when they first started bagging huge orders. Says Sreejith, “The Hub & Spoke model emerged because we realized that we cannot get the entire workforce in one location given the scale. For instance many factories we know are not getting workers even if they offer food and transportation.” The Rope team found that they needed a distributed system to get people to work from near their homes. Adds Sreejith, “We needed to take work to the people, and not the other way round.” Customers also find it handy that Rope is not setting up large factories or getting people to migrate resulting in high cost of end product to them. Currently, Rope’s artisans walk or cycle to work. They find it good as they are gainfully employed, and have good working conditions.
**ICT-enabled Coordination**

The Rope team found that while the Hub & Spoke model reduces fixed costs, it increases their cost of coordination. Rope’s links with RTBI exposed the team to the benefits that ICT can bring to businesses. Rope uses simple ICT tools like Google spreadsheets to coordinate with its rural units. The spreadsheets have different templates and formats for the Rope team to track raw material availability and procurement, production figures on a daily basis and other project specific data. It also allows teams from different units to share images of designs or prototypes for a better understanding of the final products.

**Reaching the Customer**

Rope learned to put together pre-sales for securing manufacturing orders. They now have a list of key and strategic accounts or organizations that they would like to pitch their services to. The marketing and design teams work on designs based on these client needs, which they assess by observing the organizations’ websites and the products they offer. They also interact with customers’ design teams for newer designs and their product plans. Sreejith explains, “Most bulk purchasers plan merchandize two years in advance.” This market research helps them understand what colors, designs and products they need to be ready with when pitching for new orders.

The marketing and design teams also trawl design and product websites, as well as magazines for the latest trends. Rope’s design team then develops and showcases its own designs. Says Sreejith, “Most of these customers are much bigger than Rope, and therefore, they select a few designs from this lot and refine it further before they give the order to us to execute.” They follow a similar approach with designs and product development for the Rope brand. We shortlist few of our designs based on ongoing market trends and our understanding of the market from our large collection of designs into a catalog. These catalogs are sent to stores who place their orders after reviewing the designs and prices. Rope is quite business-like when it comes to taking decisions on the designs they develop, “Some designs are a hit with the market, others we phase out.”
Understanding the Competitive Space

Sreejith emphasizes the need for social entrepreneurs to understand their competitive space. While manufacturing is all about volumes, quality and managing costs, Rope had to re-work their understanding of the space they are operating in when they initiated the Rope brand. Says Sreejith, “In the retail segment we are no longer a natural fibre-product company. Here we are looking at the product in terms of the experience it creates for the end customer.” In this space in India, there are organized well established specialty chains like Mother Earth, Good Earth and Fab India. Each locality has different stores and each state has its own emporiums. Rope views all these specialty stores and mainstream large format retail chains like Shoppers Stop as partners because Rope’s focus is to create a strong product brand as against a chain of stores of its own.

Rope’s research found that there is a growing market for eco-friendly products that are high on contemporary, modern design, and with increasing incomes and aspirational lifestyles, people do set aside larger amounts for home décor and lifestyle products. Rope’s target segment of 25 – 45 year olds are typically urban, better educated, better employed and exposed to a world view thanks to the internet, with a high awareness of environmental protection. Says Sreejith, “Given the size of our country and the growing demand and market for our type of products, there is room for every player in the market. Rope is, as are others in the space, trying to carve out a unique niche for ourselves.”

The Rope team has spent considerable time on understanding their retail customers. For branded lifestyle or home décor products, buying choices of the retail customers are not only linked to price or utility. Sreejith shares, “Products with good aesthetics and quality become more attractive when packaged with a story of where it comes from, who are the artisans involved, what is the traditional skill used and how our design team helped change or modify old designs and traditional skills to create this unique modern product. As marketers, we create a connect between the consumers and the brand through these stories.”

Rope’s strategy for the retail market is to focus on the customer experience and deliver a strong product brand of great value through existing stores. Design is a big element of this strategy. Rope focuses on unique designs. Says Sreejith “Rope brings in a high level of design
consciousness. We were inspired in the early stages by the global majors we manufactured for, so it is not a random aggregation of materials. We put a lot of thought behind developing and launching each collection of products.”

**Retail Partnerships**

Given that high quality branded merchandise move through three broad retail channels – large format multi-brand stores, single brand specialty stores and online portals - Rope devised strategies to build a presence for its products in each of these three formats.

**Raw Material Procurement**

Rope’s biggest strength has been its raw material supply chain built to meet stringent global quality standards consistently. Sreejith says that there is always room for further improvement. For instance, it is not always possible to get all the materials round the year; procurement is especially difficult in the monsoons (from June to September). Prices will also vary at different times during the year – hence they have to constantly learn about optimizing bulk purchases, their price, and a proper plan for maintaining quality as natural materials can deteriorate if not stored properly. In three of the twelve materials that Rope works with, they are the best in class at procurement. For the remaining materials, Rope sources through other traders and small farmers.

**Talent Availability**

Rope works with rural artisans, hence some talent, aptitude and skills such as knitting, making wire bags, basket weaving, tailoring are already present. These, however, are unused skills in their regular tasks such as farm work. They are especially not geared to meet global scale or demands. Adds Sreejith, “At first, the artisans’ skills are raw, they needed to develop the finesse required to satisfy overseas customers or urban markets.”

Rope invests in upgrading artisans’ skills as well as teaching them detail orientation. This basically involves teaching artisans not to deviate from specifications, explains Sreejith, “for instance, an artisan tells the supervisor to see that his stitch is almost straight. We teach artisans that there is nothing like almost straight, it is either straight or not straight.” This requires short classroom sessions and longer on the job training sessions with extensive supervision, and monitoring for building that discipline.

The Rope team shares that the labor situation is worsening with demand exceeding supply. As the demand for handmade products is increasing, the demand for skilled persons who can deliver these products is also increasing. With India’s GDP growing at 7-8% till a year ago and expected to reach back to that level shortly, aspirations and income expectations are also
increasing. Says Sreejith, “These artisans are willing to migrate to urban areas and do other skilled jobs. In our work, competent labor is a must.”

**Pricing**

Rope’s manufacturing business requires that they collaborate with buyers for design and create products as per their specifications. Hence, Rope works on tight budgets for these orders and the pricing is on a cost plus model. This price has to be extremely competitive for them to win the order, and hence, the focus is always on controlling costs through efficiency.

The team’s approach to pricing for the Rope brand products is different. Pricing here is based on market appetite, and Rope pegs itself as a premium brand. Says Sreejith, “We take into account our costs; benchmark against other branded products of similar quality and with similar demand; and add to that our own assessment of market demand. We are premium priced in this space.” Having said this, he agrees that retail business is a relatively new area for Rope, and they are learning more about their new market by hiring design graduates and some interns to conduct market research, and understand more about their customers and the prices they are willing to pay.

**Social Impact**

Rope’s social impact is driven by its scope for generating employment opportunities for rural populations within their own geographical locations, using existing unique and traditional skills. Rope’s employment generation can be traced through recruitments for its own team, through employment created by its rural entrepreneurs and the indirect employment of people who are engaged in the supply chain from collection of natural fiber materials and their processing to delivering them at Rope warehouses – this totals to about 1100 people engaged in activities that Rope has generated. The Rope team has 180 artisans who are full-time employees. In addition, there are nine rural entrepreneurs who together employ 450 artisans in 9 units. The rest are part-time workers and artisans engaged along the supply chain both directly and indirectly.

The artisans draw an average salary of around INR 3500 (~US$ 65) per month. A study by Villgro and Dalberg indicates that income earning potential for those employed by Rope ranged from INR 2500 to INR 5500 (~US$ 46 – US$ 102) per month. While this is not vastly different from what the artisans would make if they were employed elsewhere, Rope scores in terms of being able to provide round the year employment, while most alternative employment opportunities available to these artisans will keep them employed for around 150 – 180 days. Also most of the artisans are covered by provident fund and insurance schemes providing them important savings and social security benefits which were not available to them earlier. Moreover, it
allows them to leverage their unique skills, and offers them the opportunity to work near their homes.

The real motivation for these artisans would be the steady income they get. Says Sreejith, “They are willing to work hard, keen to have regular work, and shrewd enough to gauge who pays them better and choose the better employer. They assess employers on the basis of perks such as transportation, proximity to their homes, other benefits such as bonus, insurance etc and then decide.”

**The Road Ahead**

Currently, manufacturing for big retailers contributes to over 95% of Rope’s revenues. Sreejith and his team are aware that their attempt to build other avenues of revenue – particularly through the retail route has its challenges. Since many of Rope’s competitors have moved ahead on this path, the team also learns from their experiences and adapts them to Rope’s unique situation. The focus on creating retail store partnerships with stores in multiple retail formats and the decision to not enter the garments and apparel segment are a result of this learning. Yet, challenges in understanding consumer preferences and staying ahead on design remain.

Challenges notwithstanding, Rope plans to grow at a fast pace, with more retail partnerships in 2013. The team is also working to extend and diversify its range and types of products. Armed with the right mix – innovative design, high production quality, efficient business model and multi-pronged customer reach strategy – Rope epitomizes the social enterprise dual focus by not only offering its rural artisans alternative livelihoods without displacing them, but also a great product experience for its customers.