

Aadi Aushadhi Business Analysis

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I. Acknowledgements:

The Applied Global Business Learning (AGBL) group would like to start off by extending its gratitude to the community of St. Xavier College, and especially Fr. (Dr.) Robert Arockiasamy, St. Xavier's Principal, for another year of hospitably and financial support, both of which have enabled Marquette students to attend this rare and rewarding experience. We would also like to thank the members of the Aadi Aushadhi cooperative in Dediapada along with the Jesuit community for their kindness and generosity. AGBL also acknowledges the substantial moral and financial support given by Marquette University, and for that we are extremely grateful as well. Additionally, we want to extend our acknowledgments to Mr. Francis Macwan and Mrs. Heena Macwan, Mr. Himmat Chauhan, and Father Lancelot D'Cruz, SJ for their hospitality, guidance and efforts that undoubtedly made our journeys throughout India quite memorable. Finally, we would like to extend our thanks to Dr. David Clark and Mrs. Beth Krey for sharing in the AGBL experience and for providing their expertise and insights throughout the trip.

II. Introduction:

The following report was produced by members of the AGBL team for Aadi Aushadhi after returning from their trip to Dediapada in January 2013. The team was very pleased with the culture and the current state of the organization. The emphasis on collaboration and a sense of member determination was clear as we explored the area and learned more about the group. We do believe that Aadi Aushadhi has a bright future ahead, and to continue moving forward, we have identified various areas upon which to build. The following report will give a synopsis of

the area we consider the greatest room for improvement. If acted upon, the team believes that these issues can be resolved, and Aadi Aushadhi will continue to flourish in the future.

III. Current State of Aadi Aushadhi:

A. Improvements Made

Upon arriving in Dediapada, the entire AGBL team was pleased to see the state of the Aadi Aushadhi cooperative. We saw that the members were enthusiastic with the operations of the co-op and were happy to show us not only the facilities but also their farms. We noted that Aadi Aushadhi has done a good job directing the production of its members through the use of price incentives for plant materials that are more highly demanded. Additionally, it was good to see that the suggestions from previous years had been implemented successfully, and had improved the business operations of the co-op. We were also pleased to see that new equipment and plants had been acquired, which will undoubtedly facilitate future growth. We were also happy to hear that Aadi Aushadhi has been pursuing more opportunities for sales at fairs and festivals, again enabling growth in the co-op.

B. Current Limitations

Aadi Aushadhi does face some limitations to its growth and business operations. While the organization is clearly gaining expertise in business, we believe that they could benefit from more consistent feedback in addition to the insights provided by Fr. Lancy, Mr. Macwan and Mr. Chauhan. Though Francis and Fr. Lancy do help the group, and the Marquette University AGBL

group does provide an annual analysis of their operations, it would benefit Aadi Aushadhi to establish a more regular business contact to help run operations. This may be a potential opportunity for economics students at St. Xavier's College to become involved with the co-op, giving them real world experience, while also benefiting Aadi Aushadhi. Another current limitation to growth is the availability of plant material, resulting from a limited number of farmers participating in the Aadi Aushadhi cooperative. We believe that in order to move into larger markets, including selling to grocery stores, Aadi Aushadhi will need a larger coop membership base, which will likely require the recruitment of additional local farmers in the Dediapada area. A final limitation that we see is the remoteness of Dediapada from the food festivals in which it sells its products. This limitation is not as easily overcome and may not necessarily be something to be concerned about, though it does affect business operations. Travel to these festivals has benefits, as it generates sales, and it also has costs, as people must sacrifice time, and there are transportation expenses that must be covered. Evidence shows that these actions have been profitable, and we believe that participation in these festivals is an important key to the ongoing success. For example, they allow you to expand your sales in urban markets, and increase the exposure to your products, and the Aadi Aushadhi brand.

IV. Sales Considerations:

A. Pricing

Aadi Aushadhi has done a commendable job in conveying the company's presence at local food fairs. While the organization did not seem to experience many difficulties selling their highly acclaimed ice cream at these food festivals, we believe the price was too low in

comparison to the prices of their competitors. Thus, we believe that the prices for ice cream and other Aadi Aushadhi products should be modified to more effectively match the markets in which the products are being sold. To explain this in more detail, we will evaluate the price that Aadi Aushadhi charged for their ice cream at the fair in Ahmedabad, which was nearly 10 rupees lower than the prices of their competitors. While the company was able to sell all of the ice cream it produced, we believe that they could have taken advantage of higher prices to improve profits on ice cream. It was noted that the reason for this difference in price was that prices on goods were not changed or adjusted from prior years. Prices in other goods rise every year, and you should at least consider adjusting your prices annually. If Aadi Aushadhi does not choose to adjust their prices on a regular basis, their profit margins on their products will decrease if the price of inputs such as transportation and farming supplies go up. For this reason, Aadi Aushadhi needs to adjust their prices periodically to match those of the market in order to keep up with the average prices. To improve this issue in the future, we suggest that the members of Aadi Aushadhi take into consideration the difference between the current prices and those of their competitors when setting the price for a given product. In doing this, Aadi Aushadhi can maintain price levels that will keep current with market conditions.

B. Market Selection

During discussions with Aadi Aushadhi co-op members it was noted that much of the sales of food products happened at food festivals which take place in more urban areas. It was also mentioned that most of the sales of medicinal plants happened in the Dediapada area and these sales constituted only a small portion of the overall revenues of Aadi Aushadhi. As such,

Aadi Aushadhi should consider focusing their efforts on urban food sales, which it seems that they have been doing. We believe that in order to experience further growth, not only should Aadi Aushadhi continue to participate in food fairs but it should also find a way to reach the urban population in a more regular fashion. A suggestion is to find a grocery store or store chain to sell food products in one or more cities. This would allow people who have already shown they are willing to buy the product to more regularly make purchases. As part of this expansion to more urban markets, Dr. Clark, the AGBL faculty advisor, brought some Aadi Aushadhi tea back to Marquette University to look into the possibility of selling tea in the United States through a local company, such as the Stone Creek Coffee Company. While we have not received feedback from Stone Creek as to their interest in the product, we believe that exploring a vendor relationship with other companies can create important opportunities for Aadi Aushadhi. This not only will allow for a more regular and predictable cash flow but it will also allow the co-op to deal in larger quantities, again increasing total revenues and profits. One thing to consider before pursuing such options; however, is whether or not Aadi Aushadhi can produce in large enough quantities to make such ventures viable. Modern companies seek relationships with reliable suppliers, thus Aadi Aushadhi needs to consider whether they are ready for this step. The AGBL group believes that this expansion would be a good long term goal to explore after the question of having a sufficient ability of capacity to handle the additional buyers is answered. If the farmers cannot provide enough plant material to facilitate larger orders, Aadi Aushadhi may find that selling to stores will create a shortage which has the potential to cause tension between Aadi Aushadhi and the store. If this is the case, as mentioned earlier, it may be

necessary to recruit more local farmers to join the co-op to increase the harvest of the plant materials required for items sold to grocery stores.

C. Product Selection

It was discussed at one point that at one specific fair where weather was colder than normal, sales suffered on ice cream. Though we acknowledge that the products to be sold needed to be announced in advance of the fair and could not be changed as the event occurred, we believe that there is room to improve the product selection for these fairs. When selecting the products to carry at a fair, Aadi Aushadhi should consider many factors that affect the consumer demand for a given product. The factor that was most prevalent in the earlier example was temperature, which for food fairs is a major factor to consider. Though it may be somewhat difficult to predict what the weather conditions may be, there are free resources via the internet that are very good at predicting the weather up to ten days into the future. By utilizing contacts that have internet access, such as the staff at St. Xavier's or Mr. Macwan and Mr. Chauhan, Aadi Aushadhi can take advantage of these internet services to help better predict the future temperatures. Knowing the temperature will allow Aadi Aushadhi to anticipate what products will be more profitable, with warm products such as masala chai being more profitable in colder weather, and cold products such as ice cream being more profitable in warmer weather.

Another factor important to demand and should be considered is local tastes and preferences. Though it may be difficult to evaluate preferences, if Aadi Aushadhi pays attention to trends in what they sell the most at fairs in specific geographical areas, doing so will enable

them to they assume that in the future those same products will again sell well. Additionally, Aadi Aushadhi should pay attention to local vendors and the products these vendors bring to sell. Other vendors will have a sense of the local preferences and may provide insight into what is most profitable and what is not a viable product for a certain area. A final factor to consider is the shipping expenses for the product, the revenues those sales generate, and hence the profitability of that product. It seemed that for some of the food fairs, Aadi Aushadhi was traveling quite a long distance and would only be able to transport a set amount of product. Given that the space available to transport products was limited, Aadi Aushadhi should consider how much room a product takes up and how much money they can make from that product. For example, a relatively large product, such as a box of biscuits, may only cost 40 Rupees and it takes up a moderate amount of space when being transported. At the same time a bottle of hair oil may sell for 30 Rupees but may take up much less space, allowing more to be transported to the fair consequently allowing for more to be available for sale and increasing the total revenues of the fair. If ten bottles of hair oil takes up the same amount of space as a single box of biscuits the potential revenues from hair oil (assuming the example prices used above) is 300 Rupees whereas the potential revenues from a box of biscuits is only 40 Rupees. That said if the hair oil does not sell at all at the fair then no revenues will be generated. Thus you need to know what will sell, and then among those products that would sell, you need to also take into consideration both the transportation expenses. By considering both the expected sales revenue and expected costs, Aadi Aushadhi can better plan their inventory for fairs to make the most profitable choices.

V. Packaging Considerations

A. Descriptions:

It was observed that though some products had basic indications of the benefits of use, such as one package that read “for digestion,” most products lacked a thorough description of their intended uses and overall benefits. It may be that currently there is someone knowledgeable of such uses and benefits at the point of sale; however, we believe that if Aadi Aushadhi wishes to expand their operations to selling in shops not staffed by those familiar with the products, there must be a description of the benefits a consumer can expect from the use of the product. These descriptions need to include the positive as well as the potential negative consequences associated with the product, creating a reasonable expectation for the consumer. Additionally, by including any potential negative consequences on the descriptions, consumers will not be surprised by such negative consequences if they do occur. Typically consumers do not like being surprised and such an occurrence may result in the loss of repeat purchases from that customer. On modern medicinal products there is typically a warning label that says something to the extent of “these potential side effects from using this product include...” Not only do these warnings give the consumer a reasonable expectation of the product but they also reduce liability for the company. Since consumers have been warned about the potential side effects, they will know the risks that they are taking and can base their consumption decisions on that information.

B. Telling of the Aadi Aushadhi Story

Another beneficial piece of information to have on the package would be a label with the Aadi Aushadhi story, or mission on it. Just as the story has been displayed on the website, a quick story on the label would provide consumers with information about the goals of the company and how sales of the products will truly benefit the people who make it. We do believe that the labels currently in place are visually attractive, though they would benefit from this further improvement. This suggestion was made briefly in the previous year's report; however, we did not see these labels and would again like to emphasize the importance of telling your story. The label would not need to be excessively large or very long but should convey the fact that Aadi Aushadhi is an organization that helps rural farmers to improve their standard of living. The label should be concise so that a customer can read it quickly while deciding between products on a shelf, but at the same time long enough to convey the multiple aspects of social improvement that Aadi Aushadhi has been working towards. A general mission statement that may be found on a product could look something like "The mission of Aadi Aushadhi is to support small local farmers by providing them with training in the use of modern farming techniques in order to help them improve their lives, providing assets that allow them to compete on a larger scale, and by organizing farmers into self-help groups to allow them to support each other." Including such a mission statement lets consumers know that by purchasing an Aadi Aushadhi product they are supporting the efforts of local farmers and helping to improve the lives of others. This social welfare aspect of the product may encourage consumers to pay more for the product than they would for a similar product made by a large business. We did see a statement similar to a mission statement on the Aadi Aushadhi website that read "The aim of the

project is to promote the socioeconomic development of the Vasavas and to protect their traditional knowledge of medicinal plants.” While we believe that this is a good mission statement, we think that some elaboration or specifics of the project provided to the consumer will help sell the product better. It was also noted in last year’s report that a tag including such a mission statement could be made generic for all products, allowing the labels to be produced in bulk, limiting the cost of adding the label to packages.

C. Ingredients List

A final suggestion we have for the packaging of the product is the inclusion of an ingredients list. An ingredients list will inform the customer on what they are truly getting and will make them feel more at ease, knowing that nothing harmful is in the product. Being that Aadi Aushadhi uses all natural products that are grown using sustainable methods this section will allow them to convey the natural plants added without giving away the recipe for production. Additionally, it will allow any customers with specific food allergies to know if a product is safe for them to consume, expanding the potential market, as those with food allergies will not need to forego buying a product fearing that it may contain some food they may averse have a reaction to. All large scale modern companies will include such labels on their products and in some countries, including the United States, they are required to do so. This section could be included as a sidebar or on the bottom of existing labels and would thus not drastically increase the price of products. By including the label, as discussed before, consumers are more certain of what they are buying and additionally will likely view the product as of higher quality. This is because it shows that all the products of one name are being created uniformly and with a

deliberate recipe. Additionally, if Aadi Aushadhi wishes to expand its operations to foreign markets such as the United States an ingredients list will be essential to the success of a product.

VI. Conclusion

Again the AGBL team would like to say how impressed we were with the operations of the Aadi Aushadhi cooperative and their business operations. In the past year many improvements have been implemented and growth opportunities have been pursued. Even though there are limitations on the growth of the co-op, Aadi Aushadhi has worked with these limitations and has enthusiastically worked towards its goal of social improvement. We believe that given their goals, Aadi Aushadhi will continue to benefit from better business practices when conducting sales. Adjusting the price of products will allow the co-op to improve profits. Additionally, selecting the right products to sell in each market will ensure that Aadi Aushadhi sells the most amounts of products, and maximize profits at each fair or festival. We also believe that it is possible for Aadi Aushadhi to move towards selling its products in a store setting, however, some considerations may have to be taken to achieve this goal. That said, it would be a major stepping stone toward becoming a larger scale co-op, which will increase profit levels and ultimately help more farmers.

Other improvements to consider for the co-op are related to the continued improvement of your labeling. We believe that your packaging is professional in appearance and we are suggesting only modest changes so as to better inform customers on the benefits and possible detriments of use, the social cause they are supporting by purchasing the product, and the

ingredients in the product. All three aspects help create a more informed consumer and in our opinion will improve the total sales of Aadi Aushadhi. Additionally, if Aadi Aushadhi wishes to move into retail markets these improvements will help the small co-op compete with larger brand names. Overall, we believe that if Aadi Aushadhi continues to carry out business enthusiastically, as we saw, they will continue to grow and flourish in the Indian marketplace. We hope that our suggestions can further improve the growth of the co-op and that we can better the lives of all involved. We are all grateful to have been given the opportunity to interact with all the members of Aadi Aushadhi, Mr. Macwan and Mr. Chauhan Francis, and the staff at St Xavier's. The hospitality we were shown while in Dediapada was greatly appreciated by every one of the AGBL members. We hope that future Marquette Applied Global Business Learning teams can continue to work closely with Aadi Aushadhi, because we believe that both benefit from the unique experience.