

Khadi case

Business



INTRODUCTION Khadi is a cloth woven using hand-operated loom with hand-spun yarn. The three varieties of Khadi are cotton, silk and wool.

In 1925, Mahatma Gandhi established the first association of Khadi producers. In post independent India, the government of India at the federal level, and the provincial governments at the State level, set up promotional government bodies under the banner of Khadi & Village Industries Commission and Khadi & Village Industries Board respectively.

One major concern of developing countries was, and still is, the generation of adequate employment opportunities and utilization of physical and human resource to the maximum advantage, particularly in rural areas where the majority of the population lives. This concern of India was reflected in the symbol of “ charkha”, the spinning wheel which, next to agriculture is the most important source of income in rural India. Under the patronage of the Commission and Board, Khadi, this was hitherto a household, disorganized activity, and gradually evolved into a vibrant sector.

While wooden single spindle wheel gradually developed into fabricated metal-based multi spindle “ Charkha”, employment opportunity increased in manifolds, production multiplied, marketing outlets established, and consumer interest grew. From a household activity, Khadi developed into an expanding industry that could compete with products of the big industries in its own right. Khadi established itself as a marketable product. Over the years, Khadi grew substantially in value but not in net production terms.

This obviously raises the question of quality value versus quantity value of the produce. End users are prepared to pay the price, if the supply of the product is at the right time, of proper quality and as per need.

The growth of Khadi as discussed below specifically focuses on the issue of how the product has gained acceptance in the market, grown over the years, but is now faltering trying to keep pace with the tremendously fast changing needs of the market. SCM thus assumes high significance for the entire sector. ANALYSIS OF GROWTH

The growth of Khadi in last five decades, since organized production and marketing started is indicated in Table 1 below. Table 1 shows that though the turnover value production shows sustained growth, employment opportunity is not sustained as is evident from the production figures.

Growth in the 6th Plan period onwards could not be sustained as can be seen in the 9th Plan.

Even with the high consumer discount during the Golden Jubilee year of Independence, the 9th Plan period could not sustain the growth experienced over the past few years.

The fast changing consumer tastes, the opening up of the electronic media to the rural areas, the accelerated development of telecommunication facilities and greater integration with global markets seemed to have adversely affected the steady growth of Khadi. Policy makers had to address the problem. Various expert groups under the chairmanship of the Prime Minister of India as well as Deputy Chairman of the Planning Commission

have analyzed the sectoral disadvantages and recommendations have been made to bring forth the reform to put it back on track.

Some of the most common ailments identified are:-

- Lack of information about the needs of consensus
- Lack of ability to produce goods to achieve common satisfaction as per changing needs
- Lack of strategic alliances between various producing institutions to build a sustained supply chain
- Inadequate inventory management
- Restrictive laws & regulations
- Lack of product upgrading and product diversification
- Lack of technology upgrading

The supply management of the Khadi institutions started with the procurement of different varieties of raw materials.

Each institution has developed a time-tested system to forecast the requirements of raw materials.

Projections are made based on the assessment of the national level apex body known as Khadi & Village Industries Commission (KVIC). The Khadi institutions procure raw materials and store in the premises of the production unit. The production of Khadi is made through a network of about 3, 000 institutions. These institutions developed a network of sales outlets spread over different parts of the country. There are presently about 8, 000 retail sales outlets spread over different parts of the country, each one covering a large geographical area.

Khadi products are produced in remote villages and transported to these sales outlets.

A major share of Khadi products are sold through sales points located in the urban/city area, whereas the production is undertaken only in units located in villages with the network established by the institutions. About 1.3 million workers are involved in the production process. Under the leadership of the Deputy Chairman of Planning Commission, a committee was formed in 1999. While identifying the gaps in the Khadi sector, the committee suggested intervention from both ends, i.

e. production as well as marketing.

INTERVENTION: PRODUCTION An area identified as being especially weak is the inability of the sector to rise up to the fast changing needs of consumers. From a very low yarn count of 10/15 counts, highly skilled artisans can produce up to 600 yarn counts. While cloth of around 15 counts can meet the various day-to-day needs of coarse materials, high value materials of pure handspun and hand-woven product can cater to demand of discerning customers.

Khadi products of 600 counts known as 'Muslin' are so finely woven that a 5 feet width cloth can pass through an ordinary ring.

With this large spectrum of product range available, two specific thrust areas identified for stimulation are: • To create common facility centers • To promote design ; product development. The gray cloth promoted by artisans requires bleaching and dyeing before they are converted into final products for the shelf. Therefore, a scheme has been designed to build up in artisan clusters, common facility centers run by the institutions to help in value

addition of the intermediate products by way of producing facilities for bleaching and dyeing with natural dyes.

In the growing worldwide awareness of the benefits of ecofriendly products, this facility will give potential boost to the need of artisans to upgrade their products.

The other important aspect of value addition of the intermediary product is to bring design diversity in fabrics as well as products ready to use in the shape of garments, upholstery, other home furnishings, etc. Leading institutions in the country like the National Institute of Design, National Institute of Fashion Technology and similar institutions of regional repute have been brought under the fold to provide constant input in upgrading and diversification of the product.

These interventions have already started yielding results gradually. Value added products in terms of customer preferences are already finding their place in the best of the niche shopping centers. As a result, strain is gradually noticed in the supply chain of Khadi. The country itself with a 1 billion population and a huge potential market has opened up a big challenge to the Khadi sector to cater to the demands of the market.

INTERVENTION: MARKETING In the marketing front, the thrust areas of intervention identified are:-

- To collaborate with suppliers to form a marketing company
- Modernization of exclusive Khadi retail outlets
- One time liquidation of old and non-market friendly product
- Preparation of product inventory list for country wide distribution and setting up inventory exchanges
- Building up information network for easy access to market

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feedback. The marketing company's objective is to encourage open exchange of information so that cooperative relationship can be developed amongst various producers. Constant feedback from the market through the company, which will act as a market intermediary, will bring in collaborating arrangements amongst various institutions in the supply chain.

This will reduce the present risk of high inventory and provide constant updating of products as per market requirements. Modernization of existing exclusive retail outlets selling Khadi under a common brand and logo with standardized quality is another scheme under implementation.

In recent years, with the advent of large departmental stores coming up in great numbers in cities and towns, all Khadi selling outlets have become shops of yesterday. Therefore, product upgrading alone will not suffice. The outlets too need to be upgraded.

The scheme addresses this feel-good factor of consumers when they shop. Excess inventory is one major drag on the liquidity position of producers.

It is estimated that at any point of time, about Rs. 7, 500 million worth of inventory is available. At least 20 to 30 percent of the same may not reach the household of the consumer at all. To boost the liquid capital base of producers to invest in production, high value market friendly product, one-time liquidation assistance, up to a limit of 25 percent of the inventory will be granted to clear the inventory at a discount.

This will be a very arduous exercise identifying each of the 3, 000 institutions for such disposable inventory. Preliminary exercises have already started.

To facilitate the marketing company to have its supply chain in place for meeting demands from either domestic or abroad, a detailed product wise inventory is under preparation. More importantly, the inventory is being exchanged and once fully catalogued, any institution can access the information portal to decide on their production strategy.

Apart from channel marketing through the company, this will also build up effective partnership in marketing by way of product exchanges amongst the players. In today's world, knowledge and information is the essence of business, be it with only rent-seeking or social objective as the goal. Information technology has developed much faster than information inputs are made available in many sectors including Khadi.

Thus, this important area is being addressed for the overall growth of the sector. CONCLUSION A major strength of Khadi is that it is 100 percent cotton and it is 100 percent manually prepared.

It is mostly dyed with natural colors. It is a product that not only provides employment to the large number of people who produce them, but it is also most eco-friendly. It is nature's own product in contrast to mill-made synthetic fabric and chemically dyed product that is common in the market.

Consumers' choice is gradually evolving with more sensitivity towards preservation of the environment and healthy lifestyle. This will cause demand for nature-friendly products like Khadi to pick up. Khadi thus has a great future not only in India but also in the global market.

It is already being marketed under different brands and names in stores in various countries. Women's apparel and men's suits made of Khadi are available in many European countries, exported by different institutions.

However, these are pockets of success stories, still with limited consumer awareness. With greater consumer awareness, better access to information on the availability of Khadi products, and its environmental and health benefits, demand will augment much faster than what the Khadi supply chain can sustain today.

Therefore, there is a great need to collaborate and be partners in the production of Khadi amongst the institutions so that consumer interest can be catered to. There is a need to promote faster product development to keep pace with demand. At the same time, there is a need to invest in e-supply chains, starting from procuring purchase orders to successfully making final deliveries cutting across regional, national and international boundaries.