Waste Management - Entrepreneurship and Procedures

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सत्यमेव जयते

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Contents

About the Book

In the waste management sector, there have been many changes with respect to the way waste is being understood and the role of waste in the economy. The system is moving from 'the waste generated during production and consumption of goods is discarded', to where, 'this waste returns as a resource to mitigate scarcity of natural resource and prevents environmental deterioration'. Conserving natural resources and preventing environmental deterioration is supplemented by another dimension of creating new business opportunities for entrepreneurs, large private/public companies/ government departments in the waste management sector. This refers to moving from a linear economy (make-use-discard) to a circular economy (make-use-recover-regenerate). The book is divided into five parts. Block 1 covers Product and Brand Management, Block 2 covers Marketing Management, Block 3 covers Waste Management Exports and Procedures, Block 4 covers Entrepreneurship and Block 5 covers Social Entrepreneurship.

A circular economy thrives on design innovation to foster a system where unused or discarded materials from products are reabsorbed into the system and then reused, eventually eliminating waste or discarding it altogether. So basically, everything in a product can be recycled and reused as a new product. By 2030, the waste generation in India is expected to more than double from 62 million tonnes to 162 million tonnes (according to the Ministry of Environment and Forests (MoEF)), owing to the rising population combined with rapid urbanization which directly translates into increase in waste generation. Many private companies have ventured-in to harness the waste management value chain in India. Young Indian startups and SMEs who want to deal in this sector in a profitable way have joined the wagon – be it for waste segregation and disposal, waste to energy, waste treatment or recycling and/or converting waste to a new usable commodity (upcycling). Solutions and products include technology based door to door waste pick-up service at a fair price, retailing home composters for organic wastes in households, manufacturing 3D printer filament using plastic waste, producing manure by recycling cigarette butts and many more.

The global waste management market size is expected to reach $484.9 billion by 2025 from $303.6 billion in 2017, growing at a CAGR of 6.0% from 2018 to 2025. Waste management is the process of treating solid wastes, and involves different solutions to recycle items. It includes activities from its inception to final removal, such as collection, transport, treatment, and disposal of waste along with inspection and regulation. Many of the products used every day have come from recycled products. Around 35 percent of entire generated waste could be recycled. Some of the examples of what discarded items may become and may be used for various ways are discussed in this book. Increase in environmental awareness, rapid industrialization, surge in population, and rise in urbanization foster the growth of the global waste management market. In addition, implementation of stringent government norms toward open dumping is expected to fuel the market growth. Furthermore, uncollected waste and dumping impact on health directly or directly, which is expected to increase demand for waste management services. However, lack of awareness in developing countries and dearth of investments in solid waste management framework impede the market growth. The impact of the driving factors is expected to surpass that of the restraints; hence, the market is projected to grow at a CAGR of 6.0% from 2018 to 2025. Furthermore, emerging economies in Asia-Pacific and LAMEA have focused on adopting solid waste management solutions, which is expected to spread awareness and increase utility of these systems in the near future.

The Block 3 on waste exports, Procedures and documentation will give a clear picture on how to export the waste and the documentation needed for exports and the Export promotional Schemes offered by the governments. The Block 4 covers Entrepreneurship. Entrepreneurs create new business. An entrepreneur can be someone who develops a business model or someone who buys up an established company with the intention of building or diversifying within the existing structures. An entrepreneur develops multiple business strategies. Entrepreneurs are inventors of goods and services. Entrepreneurs create social change. They break tradition with unique inventions that reduce dependence on existing methods and systems, sometimes rendering them obsolete. Entrepreneurs invest in community projects and help charities and other non-profit organizations, supporting causes beyond their own. The successful combination of innovation along with resources - translating a vision into reality, through strategic management practices can be called as Entrepreneurship.

Societies across the world face complex challenges today. The proliferation of capitalism has led to significant disparities in wealth. It has also led to indiscriminate use and often abuse of natural resources, which is causing pollution and leading to global warming. Leaders of all hues have called for corporations to be more socially responsible. The call is being answered through entrepreneurship that is aimed at being sustainable in an economic sense while not trying to maximize profits, by civil society organizations and non-governmental organizations that call for more equality, and by corporations themselves becoming more responsible through corporate social responsibility activities.

This book represents the collective efforts of many accomplished individuals. We would like to thank the contributors to this volume for their collective wisdom, experience and insight. Envisioned by Shri VLVSS Subba Rao, Senior Economic Advisor, MHRD, the book took shape under his keen guidance.

I would like to thank our Subject authors: Dr. Shahaida, Professor and Area Chairperson- Marketing, ASCI Hyderabad; Dr. Rahul Pratap Singh Kaurav, Assistant Professor of Marketing and Tourism Management, Prestige Institute of Management, Gwalior; Prof Brahmanand Sharma, Assistant Professor of Marketing, Prestige Institute of Management, Gwalior; Prof Tatikonda Neelakantam, Professor and Principal at Suprabhath PG College, Hyderabad; Dr Pulidindi Venugopal, Full Professor in Marketing, VIT University.

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Dr W G Prasanna Kumar
Chairman

Block 1

Product and Brand Management

Swachhta Action Plan

सत्यमेव जयते

Mahatma Gandhi National Council of Rural Education

Department of Higher Education

Ministry of Human Resource Development, Government of India

Hyderabad - 500004

Where there is Rural Wellbeing there is Universal Prosperity

Contents

Chapter 1 Introduction to Product Management

1.1 Introduction to Product Management

Not all business organizations have a defined position of "Product Manager" some have positions such as Brand Managers or Marketing Managers, though most executives in these roles perform the function of managing the Product/ products for the organization. The term "Product" in the present module includes both products and services for ease of use.

Product Management as a concept involves market analysis, understanding customers and competition, developing marketing objectives and strategy, conducting market and marketing research, creating strategies for product-line extensions, and ensuring financial support and return on product investments.

Objectives

To understand basics of product management

Structure

- 1.1 Introduction to Product Management
- 1.2 Marketing and Product Planning
- 1.3 Product and Market Focused Organizations
- 1.4 Product and Market Evolution
- 1.5 Product life cycle

Product Decisions for Marketing Strategy

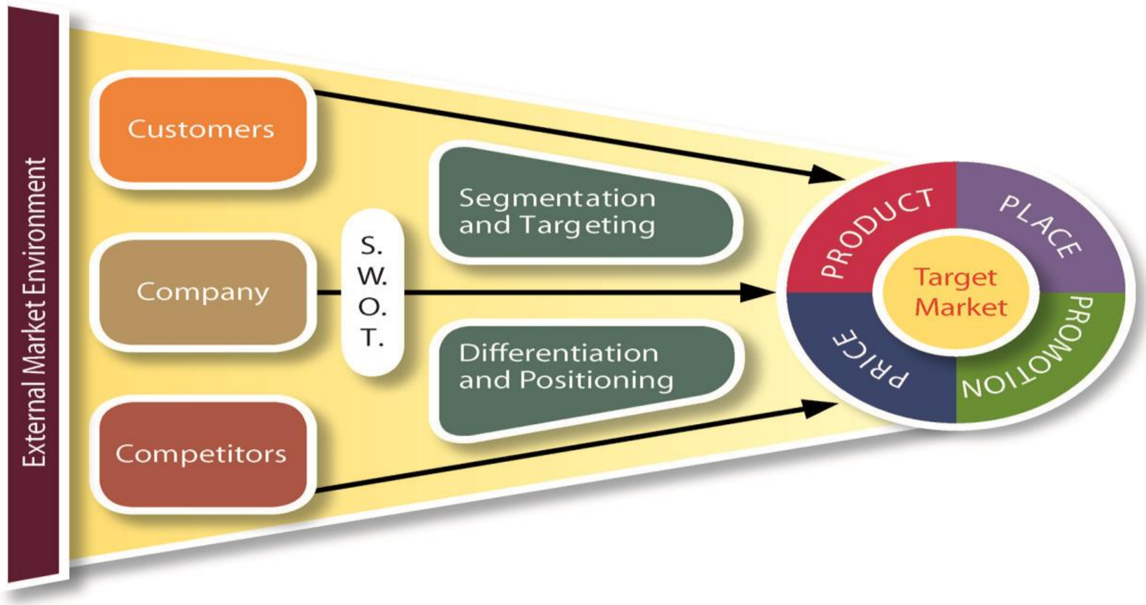

Fig 1.1 Product Decisions for Marketing Strategy
Source: https://slideplayer.com/slide/6865819/

Product Management involves developing a clear understanding of factors shaping external market environment, consciously surveying the changing needs of customers, competitors actions and own company's strengths, weaknesses, opportunities and threats. With proper segmentation, targeting, differentiation and positioning, the marketing mix is developed. Product portfolio and strategy is the first key decision in the marketing mix. The marketing team would have to consider all marketing mix decisions keeping in mind the unique aspects of the rural market.

A product is anything that can be offered to a market that might satisfy a want or need of the constituency that it plans to cater. A market is a physical or virtual space that offers products to customers who are willing to meet their needs by choosing and using a particular product or service.

The rural customer generally judges the marketers offering on three aspects the product featuresand quality, the services mixand quality and the appropriateness of the offering's price.

Product offerings for rural markets cannot imitate urban offerings and many companies have modified their offerings to suit rural customer requirements.
There are five levels of product based on the value proposition (Phillip Kotler, 2015)

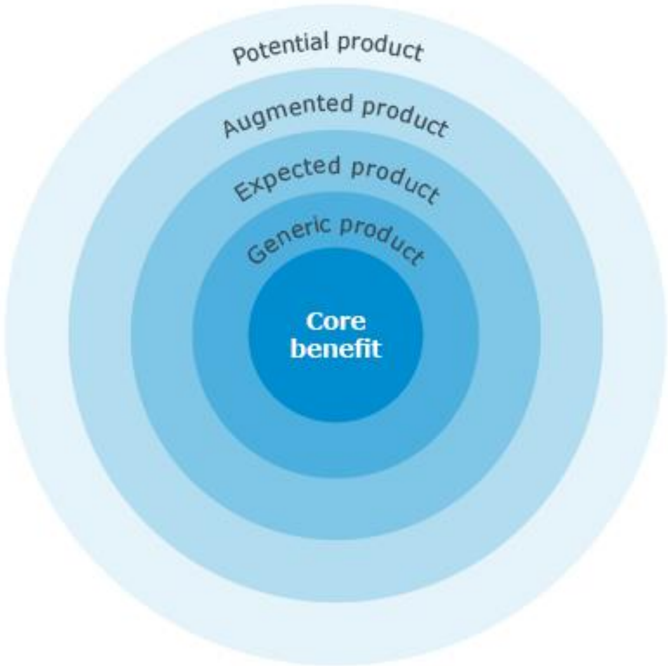

Fig 1.2 Levels of product

The Five Product Levels are

1. **Core Benefit**
   The fundamental need or basic want that consumers satisfy by consuming the product or service. For example, the need to eat, clothe, wash, quench thirst etc.
2. **Examples Core Benefit is Mobility and Entertainment**
3. **Generic Product**
   A version of the product containing only those attributes or characteristics absolutely necessary for it to function. This is the bare minimum of the product and would meet the bare minimum requirements. For example, the need to process digital images could be satisfied by a generic, low-end, personal computer using free image processing software or a processing laboratory.

Generic Product for Mobility can be Motorcycle and Entertainment can be Television,

4. **Expected Product**
   The set of attributes or characteristics that buyers normally expect from and accept when they purchase a product. For example, the computer is specified to deliver fast image processing and has a high-resolution, accurate colour screen.
   Continuing with motorcycle example, a rural consumer might look for good shock absorbers, fuel efficiency and low maintenance, whereas urban consumer might look into power, appearance and style.

For Television, rural consumer might look into good picture quality, clear sound and ease of operation, Urban consumer might prefer digital sound, , flat screen and child lock.

5. **Augmented Product**

   The inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its nearest competitors. For example, the computer comes pre-loaded with high-end image processing software for no extra cost or at a deeply discounted, incremental cost.

   Rural consumer might prefer a Television which can operate on batteries and provide screen clarity even during weak signals, and onscreen display in local languages, urban consumer might prefer in built set-top box, internet enabled TV, in-built DVD player etc

6. **Potential Product**

   This includes all the potential augmentations and transformations a product might undergo in the future. To ensure future customer loyalty, a business must aim to surprise and delight customers in the future by continuing to augment products. For example, the customer receives ongoing image processing software upgrades with new and useful features.

   Rural consumers may prefer TV sets that can sustain voltage fluctuations in rural markets and in Urban markets consumers might prefer a TV set which can be controlled through voice based instructions via internet.

   Source: https://www.cgma.org/resources/tools/cost-transformation-model/kotlers-five-product-level-model.html

Product Strategy

Product strategy is about imagining the future of the product What product will it become? Who will it benefit? How will it create value? It’s a high-level plan that helps companies realise their vision or overarching goal. More specifically, the product strategy should describe who the product is for and why people would want to buy and to use it what the product is and why it stands out and what the business goals are and why it is worthwhile for the company to invest in it, as the following picture shows.

The market describes the target customers and users of the product, the people who are likely to buy and to use it. The needs comprise the main problem the product solves or the primary benefit it provides. The key features and the differentiators are those aspects of the product that are crucial to address the main problem or create the primary benefit and that make people choose it over other competing offers. The business goals capture how the product is going to benefit the company. Is it going to generate revenue, help sell another product or service, reduce cost, or increase the brand equity? Being clear on the business goals allows the company to select the right Key Performance Indicators (KPIs) and to measure the product’s actual performance against them.

Box 1.1: Waste Management: Marketing Strategies of a Company in USA- Hypothetical Example Marketing Strategy

Current Situation: Waste management will continue to be a needed service for both residential and business customers. In 2010, the US produced 250 million tons of garbage, approximately 4.43 pounds per person a day, and only 1.51 pounds of this were recycled. Residential waste consists of 55%-65% of the total with business making up the remaining 35%-45%. The trends for waste management include improved recycling (including waste to energy generation), waste prevention, and hazardous waste management.

Competitor and Issues Analysis: There are large waste management companies in the US. There is little fear of new companies starting up due to inability to obtain land for new landfills as people don't want them "in my backyard". Also, starting a company requires large investment for trucks, people and technology. Waste Management Inc. is considered the largest waste management company in the world and as a holding company can easily expand by acquiring smaller, local companies. Their competition is at the local level, not the national. They have the resources to lead the way in waste-to-energy recovery as well as improving recycling in the US.

Marketing Objectives: Waste Management strives to provide all waste management needs for their customers from day-to-day pickup, to improving recycling. In addition, WM is working to increase waste-to-energy production and sell the extra energy. Finally, WM is intent on helping the environment and markets how the company is working to cut environmental impact as well as supporting various charities for the environment.

Marketing Strategies:

Product Strategy: WM will continue to tailor its services to the needs of the many different customer groups and the types of wastes they generate. Currently WM offers 7 different services for residential customers and 9 for businesses. In addition, WM provides information for 11 different business groupings to help them decide how best to handle their waste collection needs. In the future, WM will offer specialized waste pickup as new hazardous wastes are developed, increase the amount of materials that can be recycled, and meet adhere to changes in environmental laws.

Pricing Strategy: Pricing strategy for WM is very diverse, although it is profit driven for both residential and commercial customers. In the areas where there is little local competition, WM has more flexibility over what it can charge versus areas where it is competing for customers. WM also will factor in any money it makes from selling recyclable materials and sales of energy production, which increases profit and they can use to lower collection costs while still maintaining a profit. WM needs to continue to price their services competitively, especially for the local residential services where a smaller company, with lower overhead, might be able to underbid them. For commercial customers, need to keep prices inline so it's economical for businesses to contract with WM versus taking care of the waste management in-house. To increase revenue, WM will increase the sale of recycled materials to companies that will reuse them and increase production from waste-to-energy facilities to increase sales.

Promotion Strategy: WM needs to continue to promote not only its services, but how it is helping the environment. WM has employed green marketing and should continue to do so. It's "Think Green" campaign has its own webpage talking about how WM is working to improve the environment. It starts with a video by the CEO David Steiner on how Waste Management is seizing every opportunity to turn waste into a resource that benefits our communities and the environment. WM also needs to continue to tie its name to the animal habitats, recycling and energy production improvements it makes. Place Strategy: WM needs to continue to find new and better ways for waste collection. The Bagster bag was a great innovation to make it easier for both residential and small companies who needed a way to get large, sporadic waste amounts picked up. By selling the bags at local stores, it makes it easy for customers to utilize this service. This is what WM needs to continue to do, find better and easier ways for current customers to get their waste picked up, recycle easier and recycle more. WM will continue to improve customer service and customer education.

Action Programs: Education: Provide educational programs for schools and community groups on how WM is working to help the environment and what individuals can do to help through recycling and reducing waste. Sponsorship: Increase the number of habitat projects, and park programs so people can see WM in action. Do this by providing waste pickup at events, as well as money and personnel to work. Waste-to-Energy production: Increase research into improving efficiency of W2E production, and increase the number of facilities generating energy.

Budget: WM will increase marketing budget to promote its image as providing environmental services and as a company that is good for the environment. This will be done through action programs as well as increased advertising.

Measurements: WM will measure how effective its marketing is through measuring the increase in number of customers, increase in energy production, increase in amount of waste recycled, and number of environmental programs it supports.

Sources:

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To Do Activity

Interact with a Product Manager or marketing manager of a waste management Company and find out the challenges they face in the job and how they meet these challenges.

1.2 Marketing and Product Planning

Product/ brand/ marketing managers have to make plans for the different types of product existing with the company and also for new products. This section deals with product planning for existing products. Products serve the needs of customers in specific markets; therefore, product planning is a part of the marketing planning of the organization.

In many organizations the Marketing planning is done first followed by product planning.

There are several innovative products in the Waste management sector. 5 PET bottles could be recycled to produce fiber to make one t-shirt. Photoprint, a Pune based start-up converts plastic waste into filaments for 3D printing.

Another startup called No more Butts recycles cigarette butts.

Marketing Planning

A marketing plan is a written document containing the guidelines for the business unit's marketing programs and allocations of resources over the planning period.

Hierarchy of Planning

Typically, the Corporate Strategic planning is done first followed by Group or Sector planning, then Strategic Business planning and then Annual marketing (Business) Plan.

The issues at Corporate strategic planning level are broad such as return on investments/assets, and strategies are general for the organization and generally long term. The plans become specific and short term from the SBU level to the marketing plan level.

A marketing plan is an operational document. It contains strategies for a product, but it focuses on a shorter time span than the strategic plan. Marketing plans are specific statements of how to achieve short-term, usually annual results.

Objectives of the Marketing Plan

1. To define the current business situation.
2. To identify problems and opportunities facing the business.
3. To establish business objectives.
4. To define the strategies (e.g., target market) and programs necessary to achieve the objectives.
5. To pinpoint responsibility for objectives.
6. To establish timetables and metrics for achieving objectives.
7. To encourage careful and disciplined thinking. *
8. To establish an outward (customer/competitor) orientation.

Marketing Plan Process

1. Update the facts about the past recent data (last 1-3 years) on all relevant information required to make the plan
2. Collect background data based on the current situation of the organization.
3. Analyze historical and background data
4. Analyze the existing data to forecast competitors' actions, customer behavior, economic conditions etc. This analysis leads to key opportunities and threats in the market for the business.
5. Develop Objectives, strategies and actions/programs This is the product planning phase. This involves setting product objectives, developing strategies and programs to achieve the objectives, comparing programs in terms of their abilities to achieve objectives (eg. market share), selecting a basic objective, strategy, and program combination.
6. Develop proforma financial statements budgets and profit and loss projections
7. Negotiate series of revisions normally take place before final plan is agreed upon by all involved departments/executives
8. Measure progress robust monitoring and tracking metrics are to be placed to measure progress with respect to objectives and programs
9. Audit it is a mechanism to evaluate the programs and suggest changes

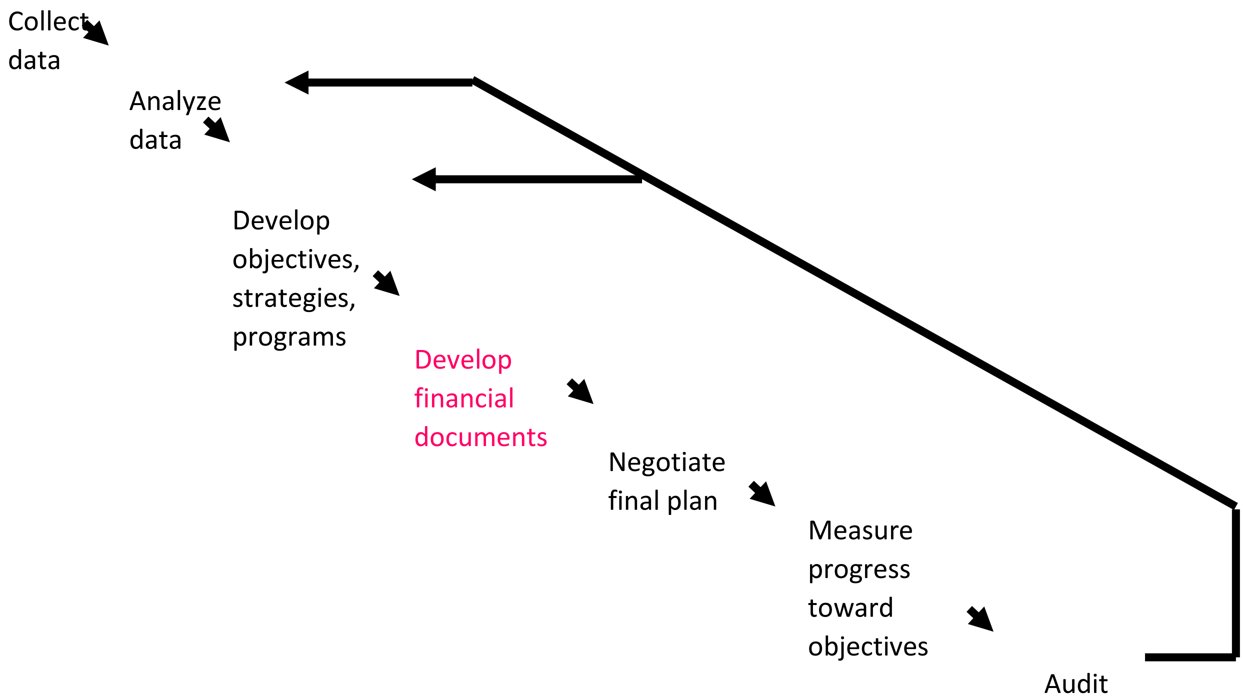


Fig 1.3 Product Planning Process

Product Planning

Product planning allows a business to make or sell products that are wanted by customers. Product planning is also used to design appropriate marketing programs that help create increased sales and profit opportunities.

A product is anything a person receives in an exchange—a tangible item (car), a service (haircut), an idea (a good education), or a combination of all of these concepts. Product planning involves making decisions about features needed to sell a business's products, services, or ideas.

Product Mix includes all the different products that a company makes or sells.

There are Different Types of Wastes

Solid Wastes in Solid forms, Domestic, Commercial and Industrial Wastes

Examples plastics, Styrofoam containers, bottles, cans, papers, scrap iron, and other trash

Liquid Wastes in liquid form

Examples domestic washings, chemicals, oils, waste water from ponds, manufacturing industries and other sources

Bio-Degradable

can be degraded (paper, wood, fruits and others)

Non-Biodegradable

cannot be degraded (plastics, bottles, old machines, cans, Styrofoam containers and others)

Hazardous Wastes

Substances which are unsafe to use commercially, industrially, agriculturally, or economically and that which have any of the properties like ignitability, corrosivity, reactivity & toxicity are called as Hazardous Wastes.

Non-Hazardous

Substances safe to use commercially, industrially, agriculturally, or economically and do not have any of those properties mentioned above. These substances usually create disposal problems

The Waste Hierarchy

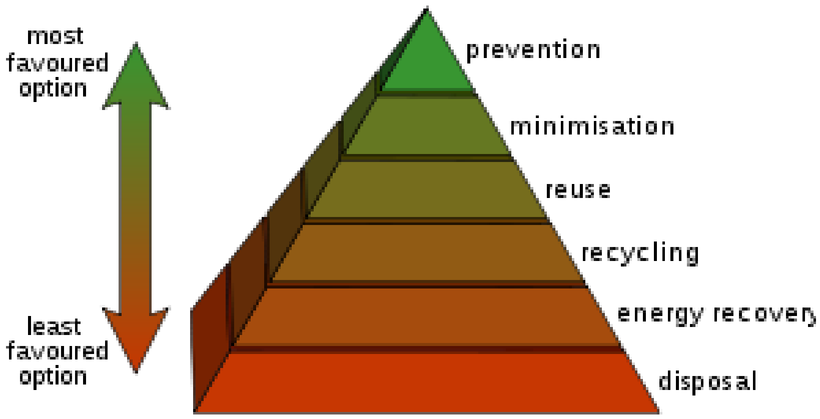


Fig 1.4 The Waste Hierarchy

A waste management company can choose to make products or services in any of the areas of waste hierarchy. Right from prevention of waste (by creating very efficient manufacturing systems which have zero waste), minimization (by using raw materials which do not have significant waste), re-use (companies which create new uses/products with existing used products such as clothes, denims, bags etc.), recycling is gaining popularity where in old products are recycled to create new different products. Energy recovery -Energy recovery from waste is the conversion of non-recyclable waste materials into useable heat, electricity, or fuel through a variety of processes, including combustion, gasification, pyritization, anaerobic digestion, and landfill gas (LFG) recovery. This process is often called waste-to-energy.

Energy recovery from waste is part of the non-hazardous waste management. Converting non-recyclable waste materials into electricity and heat generates a renewable energy source and reduces carbon emissions by offsetting the need for energy from fossil sources and reduces methane generation from landfills.

- **Disposal of Waste** Many organizations have created their business around safe disposal of waste.
- **A Product Line** is a group of closely related products manufactured and/or sold by a business.
- **A Product Item** is a specific model, brand, or size of a product within a product line.
- **Product Width** refers to the number of different product lines a business manufactures or sells.

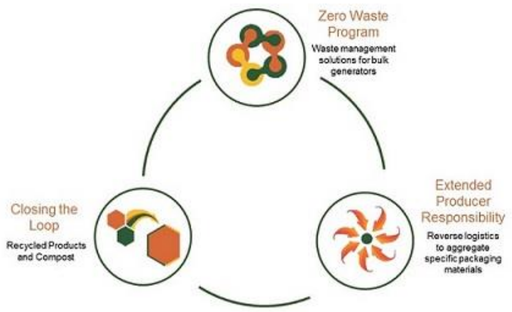
- **Product Depth** refers to the number of product items offered within each product line
- PRODUCT PLANNING is a periodic process that considers the portfolio of products to be managed in a planning period

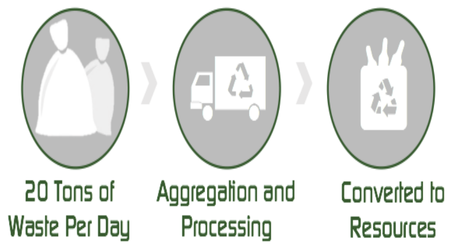
A product mix strategy is the plan for how the business determines which products it will make or stock. Businesses will either develop a new product or expand an existing product to add to their mix.

Box 1.2 Examples of Product Planning Strategies at Sahaas Zero Waste Company

Transitioning away from the old linear model of truck and tip to landfill, Bangalore-based waste management startup Sahaas Zero Waste is part of a growing movement called circular economy, a relatively new concept in India. It entails trying to eliminate tough-to-recycle items like flimsy plastic bags and also pioneering new ways to recycle or compost everything else. Circular economy is the business philosophy. Sahaas assists their clients with the right infrastructure and the training required for segregation at source collect and pre-process all waste streams before channeling to respective recycling industries," says Wilma Rodrigues, founder of Sahaas. "And, Sahaas closes the loop by selling recycled products made of those waste." There's an increased awareness for recycled products such as compost, corrugated cardboard, roof sheets and chipboards. "Architects and real estate developers are looking for sustainable building material come to Sahaas for such products.

Sahaas been growing 150% year-on-year. With a turnover was $900,000 in 2014."





https://www.forbes.com/sites/suparnadutt/2017/06/21/this-startup-is-making-indias-garbage-its-business/#65a30ca55512

Through the **Zero Waste Management Programme** Sahaas operates on site solutions for bulk waste generators including tech parks and residential waste management. For smaller generators, it offers holistic waste management program which includes collection and process at the unit, Kasa Rasa.

In the **Extended Producer Responsibility (EPR)** program, it partners with packaging companies and E-Waste producers to develop and implement a reverse logistics mechanism that facilitates in bringing back bulk volumes of waste into the recycling chain.

As a part of the **'Closing the Loop'** initiative, Sahaas offer s products made from waste including compost and a range of other recycled products.

http://saahaszerowaste.com/products

Range of Products: Gifting boxes from recycled chipboard, Stationary

Vermicompost from wet waste Laptops, T shirts from PET bottles

The Marketing plan provides a unifying theme for the product manager. It's a blueprint to follow and modify (if required) to achieve specific goals for the product, market and revenue of the organization.

1.3 Product and Market Focused Organizations

All business organizations have to consider the role of general marketing management and product management. There are 2 aspects to be considered. One is the scope of responsibility, product management's scope is narrow often one product manager is responsible for a single product or a product line, the decision making by such product managers is tactical and short run.

The scope of responsibility is broad portfolio in general marketing management, decision making is long term and mainly strategic. The role of product managers and product management changes depending on the type of organization structure used in the company. There are 3 types of organization structures commonly adopted by companies they are Product-focused, Market-focused and functionally focused.

Product-Focused Organizations

Figure 1.5 depicts the product focused organization. This is the classic "Brand "Management structure that Proctor & Gamble developed in 1930s, often seen in packaged goods companies but also in other types of companies.

Features Product Manager Acts as a "mini-CEO", takes responsibility for overall health of a brand/ product/ product-line, Well Defined Hierarchy exists (i.e. Group product Manager, Brand manager, Assistant Brand Manager)

Advantages Locus of responsibility is clear (directly accountable for brand), Invaluable training & experience for Product managers

Disadvantages Inability to ask fundamental questions (too close), Product manager may become somewhat removed from the action in the field and Short-term focused.

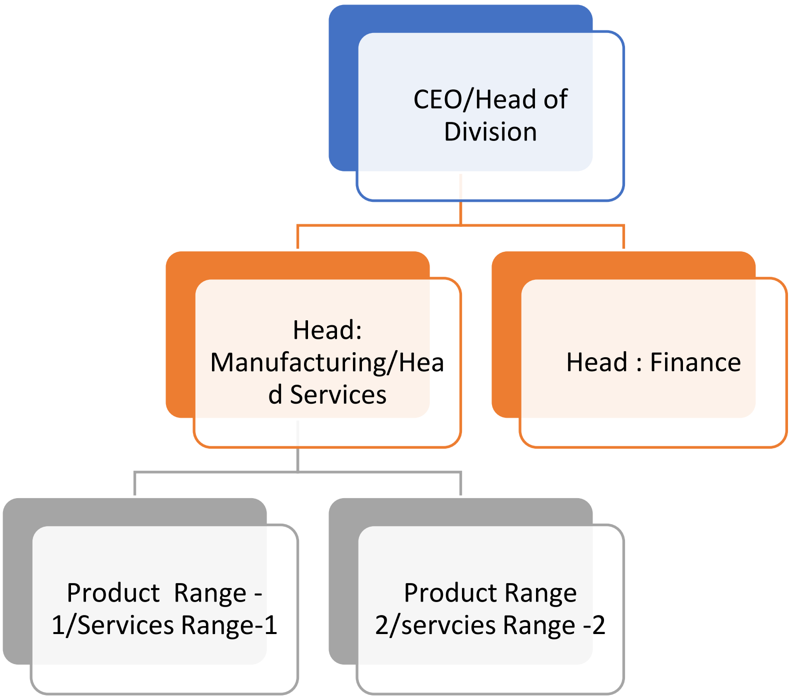


Fig 1.5 Product/Service-Focused Organization

Market-Focused Organizations

When the market can be clearly segmented on some basis and the needs of customers of different segments vary significantly, organizations adopt the market focused structure. Many telephone service provider companies use this structure as do pharmaceutical companies.

Features Defines authority by Market segment, Segments can be industry, channel, regions of the country or customer size and Useful when there are significant differences in buyer behaviour among the market segments

Advantages Strong Customer Focus, Easier to get Product Managers to ‘pull together’ and Better knowledge of company’s line of products

Disadvantages Does not give managers full responsibility for products services (more coordination), Product managers Lose ‘mini-CEO training’

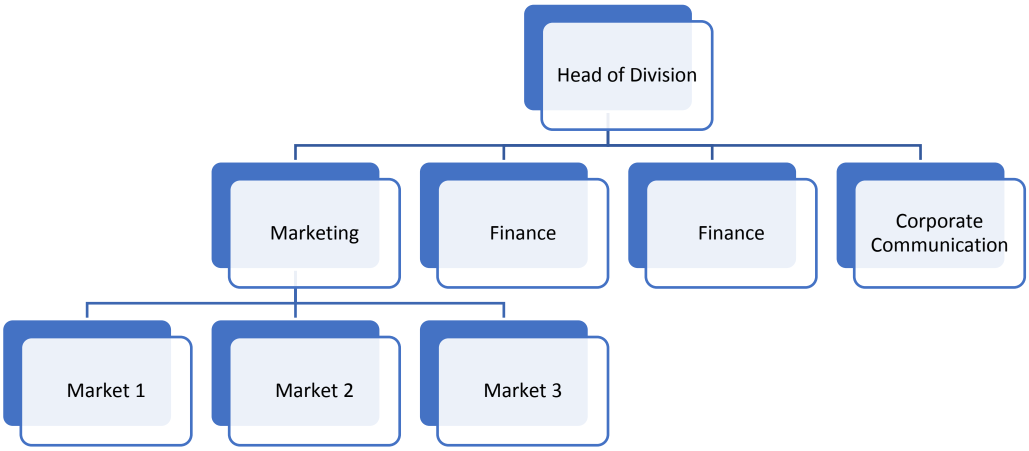


Fig 1.6 Market-Focused Organization

Functionally-Focused Organization

Features Align themselves by functions (i.e. Advertising, Sales, merchandising), No Single person is responsible for the day-to-day health of a brand, CEO & Vice Presidents (VP’s) make marketing strategy decisions, Strategies are implemented through discussion & coordination among functional groups

Manufacturing companies (typically having a smaller range of product variety) use this structure.

Advantages Administratively simple, Functional training is strong, CEO & VP’s make important strategy decisions

Disadvantages Limited responsibility for specific products, Conflicts b/w strategies can only be resolved through discussion time consuming, Narrow scope of managers limits development

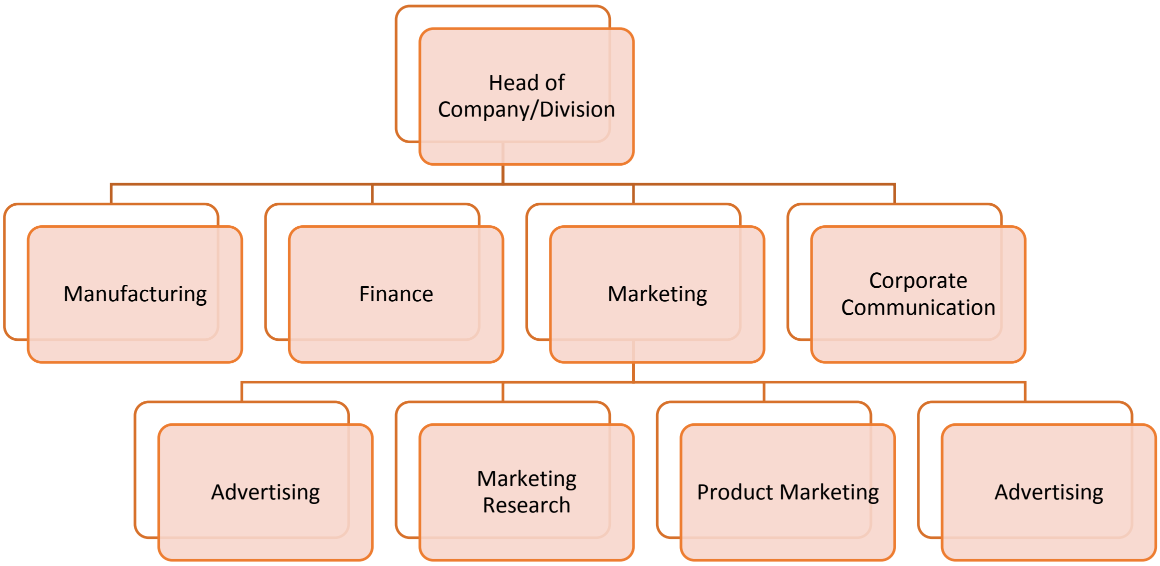


Figure 1.7 Functionally-Focused Organization

Box 1.3 Anthony Waste Handling Services, Mumbai

Anthony Waste Handling Services is one of the oldest waste management companies in India. The company offers waste management services across India, for its services offering, it follows a "Product/service -focused approach"

Key Services Offered:

- Waste Collection & Transportation
- Mechanized and Non-Mechanized Sweeping
- Waste Processing & Treatment
- Waste to Energy

It also adopts "Market –focused approach" for its projects

Starting with Mumbai, The Company has undertaken/ currently undertaking projects in multiple cities such as Delhi, Jaipur, Gurugram, Greater Noida, Noida, Amritsar, Mangalore, Navi Mumbai, Thane. The company believes that the geographically diversified portfolio gives partial hedge against risks in specific areas or projects and protects from fluctuations resulting from business concentration in limited geographical areas.

Projects

- Thane Municipal Corporation- Thane,
- Municipal Corporation of Greater Mumbai, Mumbai (Borivali & Dahisar)
- Mangalore Municipal Corporation, Mangalore,
- Navi Mumbai Municipal Corporation, Navi Mumbai,
- North Delhi Municipal Corporation, Delhi,
- Greater Noida Industrial Development Authority (GNIDA),
- Jaypee International Sports, Uttar Pradesh
- Ulhasnagar Municipal Corporation, Ulhasnagar
- New Okhla Industrial Development Authority, (NOIDA) (Zone 1, 2 & 3),
- Bioreactor landfill to energy plant & Composting, Kanjurmarg – Mumba

http://www.antony-waste.com/clients.html
http://www.antony-waste.com/service.html

Marketing Organizations have to continuously monitor changes in external environment, economic growth, new market and customer segments and modify their organization structures accordingly. There are examples of many organizations which have changed from product-focused structure to market-focused structure to cover the market better and serve newer customer segments. Organizations can even adopt other types of structures such as Matrix structure (adopted by High-tech services companies).

1.4 Product and Market Evolution

"Product evolution" is a term used by companies who have the vision to not only see a product idea, but how that product can evolve over time. It's essentially the idea of mapping out, often before the first product is even manufactured, what future iterations of a product might be as it improves and grows.

It is not always possible for companies to predict "product evolution" many companies try to keep pace with the changes in the market and try to adapt to those changes, while some companies are highly proactive and are able to predict future customer behavior and plan for decades of product development.

Fig 1.8 Product evolution from CFL to LED

From Incandescent light to CFL to LED, is an example of how the Philips Company could change and modify products to suit changing customer/legal/ environmental requirements.

It is vital that companies keep track of the changes in the market, customer requirements, competitor's product plans, environmental, legal and social trends and create new products, modify existing products in order to ensure a sustainable future for the organization.

Box 1.3

Start-ups Creating New Products from Waste

Scrap Shala - The Key to Waste Management

The startup deals in waste management by recycling or reusing old crap. Within a year, the company has successfully recycled more than 20,000 plastic bottles and around 10,000 kilograms of waste. It operates in two arenas - Product based (using trash and converting it into useful decorative pieces) and service based (fixing non-working items). The company is currently selling its recycled products to 15 online portals and is involved with more than 200 people offline. he company takes generally 2-3 days to convert garbage items into office accessories, upcycled games for kids, furniture, customized gifting products and home and garden decorations. Since Varanasi is the gem of textile industry, the company has recently gotten involved with textile waste as well.

Anthill Creations: Playgrounds for Kids

Anthill Creations in Bengaluru uses scrap tyres to build playgrounds for the underprivileged children. Since its formation in 2014 the company has successfully finished nine projects in four Indian cities and reused 830 scrap tires to build playground and libraries.

Recycle India: Hyderabad

Prashant Lingam and Aruna Kappagantula started the ‘Recycle India' initiative in 2015 to follow the principle of three R's - Reduce, Reuse and Recycle. Within two years the couple went on to build a house, water tank and a shelter bus stop all made out of plastic bottles.

https://www.ndtv.com/photos/news/3-startups-that-are-recycling-and-showing-how-to-do-waste-management-24351#photo-299174

Michel E Porter distinguishes between the following three broad stages in the evolution of an industry/ market

- Emerging industry
- Transition to maturity
- Decline.

Industry Evolution Stages

Each of these stages has its own particular characteristics, some of the more important of which are shown for each stage.

Emerging Industry

Uncertainty among Buyers Over

- Product performance
- Potential applications
- Likelihood of obsolescence.

Uncertainty among Sellers Over

- Customer needs
- Demand levels
- Technological developments.

Transition to Maturity

- Falling industry profits
- Slowdown in growth
- Customers knowledgeable about products and competitive offerings
- Less product innovation
- Competition in non-product aspects.

Decline

- Competition from substitutes
- Changing customer needs
- Demographic and other macro-environmental forces and factors affecting markets.

Porter then uses the characteristics of each stage to suggest the following strategies as being appropriate to each

Emerging Industry

Strategies developed to take account of industry competitive structure characteristics i.e.

- Threat of entry
- Rivalry among competitors
- Pressure of substitutes
- Bargaining power of buyers and suppliers.

Transition to Maturity

Strategies Focused on

- Developing new market segments
- Focusing strategies for specific segments
- More efficient organizations.

Decline

- Seek pockets of enduring demand

or

- Divest.

This approach is similar to the conventional concept of product life cycle analysis in identifying the stage, specifying the characteristics of each stage, and suggesting appropriate strategies for the stages. Porter has developed the notion of industry life cycle further by linking it to the 'strategic position' of the individual organization. Strategic position is categorized in terms of whether the individual organization is a leader or a follower.

Genetic engineering and biotechnology are examples of what Porter would classify as 'emerging' industries. At the moment in these industries there is substantial jockeying for position amongst the incumbents. Some organizations, however, are already emerging as leaders. For example, in genetic engineering, particularly in the area of food production, Monsanto is probably ahead of the field. A good example of an industry in Porter's stage of 'transition to maturity' is the market for cars in the West, which has seen companies such as Mercedes and Volkswagen paying more attention to developing new market segments.

It is not difficult to find examples of industries in Porter's 'decline' stage. The textile industry in the UK is probably a good example of this. Coates Viyella, a once major employer in the UK textile industry has recently pursued strategies of divestment while at the same time seeking pockets of enduring demand just as Porter suggests.

Product evolution and market evolution go hand-in-hand, the complexities of operating in rural markets also pose several challenges for companies. Companies that stay abreast of product and market changes in a very proactive manner can address the challenges effectively.

1.5 Product Life Cycle

If an organization is considering entering any service industry or making any product, this includes making " Biochar " out of human waste or considering the full life cycle of different products from raw material stage to disposal and re-use knowing where the product or service is in its life cycle provides valuable information how to position, price, promote and distribute the product in the market.

A product or service has a life of its own and goes through cycles. Although different products and services have different types of life cycles, they all go through a similar cycle of adoption and use. Typically, there are four stages that make up the life cycle. Each stage is different and requires marketing strategies unique to the stage.

At times, one sees “product life cycle” used to describe a product’s expected life span, either with respect to daily use, maintenance, shelf life, warranty, etc.

The Life cycle concept in Waste management is not new. The goal of life cycle thinking is to avoid burden shifting by assessing a product’s use of natural resources and its impact on the environment, the economy and society throughout its entire life cycle. The life cycle of a given product involves a number of stages from the extraction of raw materials through processing, manufacturing, distribution, use, recycling, reuse or final disposal. Life cycle thinking enables to consider the environmental, social and economic impacts associated with the production or consumption of the product by taking into account all the stages of the product life cycle. It provides a means of ensuring that improvements in one stage are not creating a greater cumulative impact by simply shifting the burden to another stage of the life cycle. Therefore, it also allows companies to see the influence of their choices with regard to sustainability and help them take decisions, so trade-offs can be balanced positively to impact the economy, the environment and society.

Product Life Cycle

Introduction (Development) Stage

This stage involves introducing a new previously unknown product. Sales are small, the production process is new cost reduction through economies of scale/size or scope, and the experience curve are not yet in play. All marketing is to acquaint buyers with the product. Pricing focuses on enticing first-time buyers to try the product. Few people know of it, and it may be very difficult to sell.

Growth State

Sales rapidly grow buyers have become acquainted with the product and are willing to buy it. New buyers continue to enter the market, partly due to positive feedback from the early adopters, previous buyers come back as repeat buyers. People know the product or know of it and would like to have one. It may be expensive, but it is cool to be associated with or possess.

Production may need to be quickly ramped-up and the business may require large capital and expertise infusions. Cost reductions occur as economies of scale/size are realized and the business becomes more efficient as management and production’s experience curve develops. Oftentimes, profit margins are large revised company structure, management and promotion, and pricing strategies follow to reflect the growth environment. Competitors may enter the market, but little rivalry exists, due to more-than-adequate expansion space within the rapidly growing market.

Mature Stage

The market is now saturated. Production has caught up with demand and growth precipitously slows. There are some first-time buyers, but most buyers are repeat buyers. Competition becomes intense, with aggressive promotion and pricing to capture or maintain market share. The product is now mainstream, people buy it and the organization can "milk the cow" and expect predictable returns.

Although experience curves and economies of size/scale and scope are fully in play, competitive pricing and perhaps related promotional programs often result in decreased profit margin. Companies may desperately try to differentiate their product from the competition, but products actually become more standardized to meet the over-arching demand within the competitive market for that one, established, well-recognized thing.

Decline State

More up-to-date products are of primary interest to purchasers or competition has resulted in a highly dilute market with intense rivalry among competitors, there are narrow profit margins and declining sales. Businesses adopt new product lines, rebrand/market, or leave the industry. This is the beginning of the end game and a pronounced "change event" for any business, ideally, the company has an exit or transition strategy in play.

Extending the Product Life Cycle

Once again, consider that all things, including our universe, has a life cycle. Inevitable change, if embraced instead of ignored, is a positive factor in the long-term survival of any project or business. Anticipating the product-, marketing and risk-management associated with change ensures the sustainability of the venture. Understanding how these concepts can increase efficiency and profitability can help extend the life cycle of a business or product line. Another concept, too broad to cover here, is that of "creative destruction."

One of the first great thinkers on product life cycles, Theodore Levitt, in a 1965 article in the Harvard Business Review said, "The object is to suggest some ways of using the concept effectively and of turning the knowledge of its existence into a managerial instrument of competitive power." To do that, it takes some long-range thinking and strategic planning about an organization's role in the market. One that should include an exit strategy for your company at some point safely before your product or service becomes costly and irrelevant.

Extension strategies can include various innovative, tactical and strategic strategies to extend the life of the product or service before it goes into decline. All considerations are very important since at each stage of a product or service's life cycle, each management decision must consider the competitive requirements of the next stage of the cycle. This kind of planning helps avoid money-wasting debacles for example, wasting money on ineffectual advertising campaigns, short-term catastrophic cost-reductions, or wasteful mergers or acquisitions.

Design the planning around an orderly set of "sales-building actions." To do this, review pricing, favorable and unfavorable marketing relationships and promotions consider how these issues weight relationships with distributors and resellers. Re-branding and radical new marketing campaigns including highly targeted advertising can renew or expand interest in a "proven" product, or target an entirely new demographic. There are many examples were traditional production systems embraced radical new technologies to achieve unimagined economy of scale and price reduction to create renewed profitability and ensure market share.

Value addition can come in the form of increased expanded functionality or investment in new strategic alliances to exploit distribution or production through relationships that target untapped markets.

Life-extension thinking enforces strategic and systematic planning. In general, having an active rather than a reactive product-management policy, Structuring long-term marketing and product development efforts that center on product and marketing-review plans and decision-making timelines driven by that orderly set of sales-building actions incorporating decision triggers that come into play at those points at which sales and profits decline to a particular level will help organizations to sustain the life of products.

Table 1.1 Characteristics of each stage of PLC

Stage	Characteristics
Market introduction Stage	Costs are very high Slow sales volume initially Little or no competition Demand has to be created Customers have to be prompted to try the product Makes no money at this stage
Growth Stage	Costs reduced due to economies of scale Sales volume increases significantly Profitability begins to rise Public awareness increases Competition begins to increase with a few players in establishing market Increased competition leads to price decreases
Maturity Stage	Costs are lowered as a result of production volumes increasing and experience curve effects Sales volume peaks and market saturation is reached Increase in competitors entering the market Prices tend to drop due to the proliferation of competing products Brand differentiation and feature diversification is emphasized to maintain or increase market share Industrial profits go down
Saturation and Decline Stage	Costs become counter-optimal Sales volume decline Prices, profitability diminish Profit becomes more a challenge of production/ distribution efficiency than increased sales

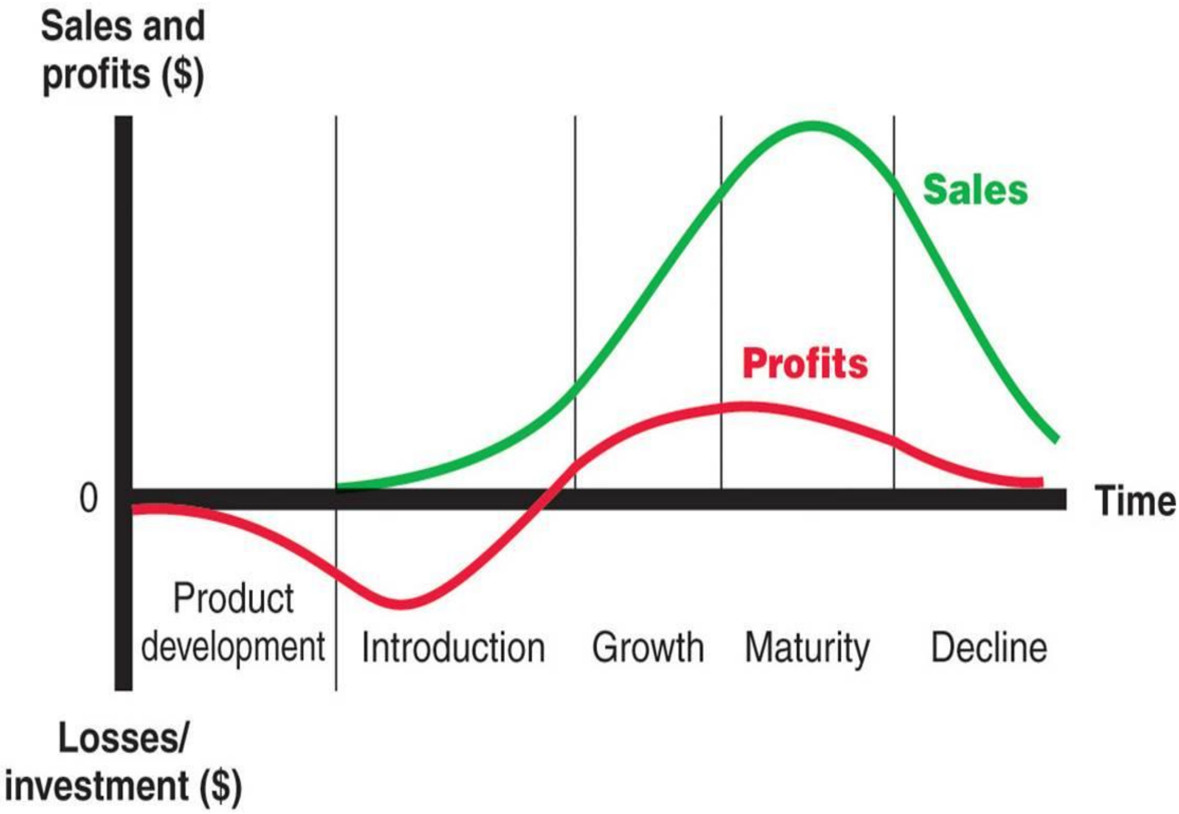


Fig 1.9 Product Life Cycle

Source: https//marketing-insider.eu/product-life-cycle-stages/

Fig 1.9 Re-use, Recycling Stage Sustainable ConsumptionSourcehttps//link.springer.com/chapter/10.1007/978-94-017-7221-1_2, accessed 5-3-2019

The choice of policies, strategies, systems, programs and different types of tools represented in Fig, mainly depends on the principal goals and the level of ambition of each company. Companies use LCM to support their goals of providing products that are as sustainable as possible. Companies need to go beyond their organizational boundaries and be willing to expand their scope of collaboration through external communications to all stakeholders of their value chain as it makes them more visible, may improve their public image, improve their relations with stakeholders and may increase their market penetration through mapping their product chains and develop criteria for product enhancement and value creation.

- Communication to shareholders and stakeholders in general by, for example, green accounting and annual environmental or sustainability reports
- Communication with customers through such items as life cycle based environmental product declarations, LCA data, product environmental performance indicators or product profiles
- Communication with public authorities via product information schemes and green public procurement guidelines
- Communication with the public, consumers (including professional purchasers in businesses) and retailers using product brochures and various eco-labelling systems and information campaigns
- Communication with suppliers, including SMEs, using company codes or manuals of conduct, audit or supplier evaluation systems

Larger companies often combine supplier communication with offering training exercises.

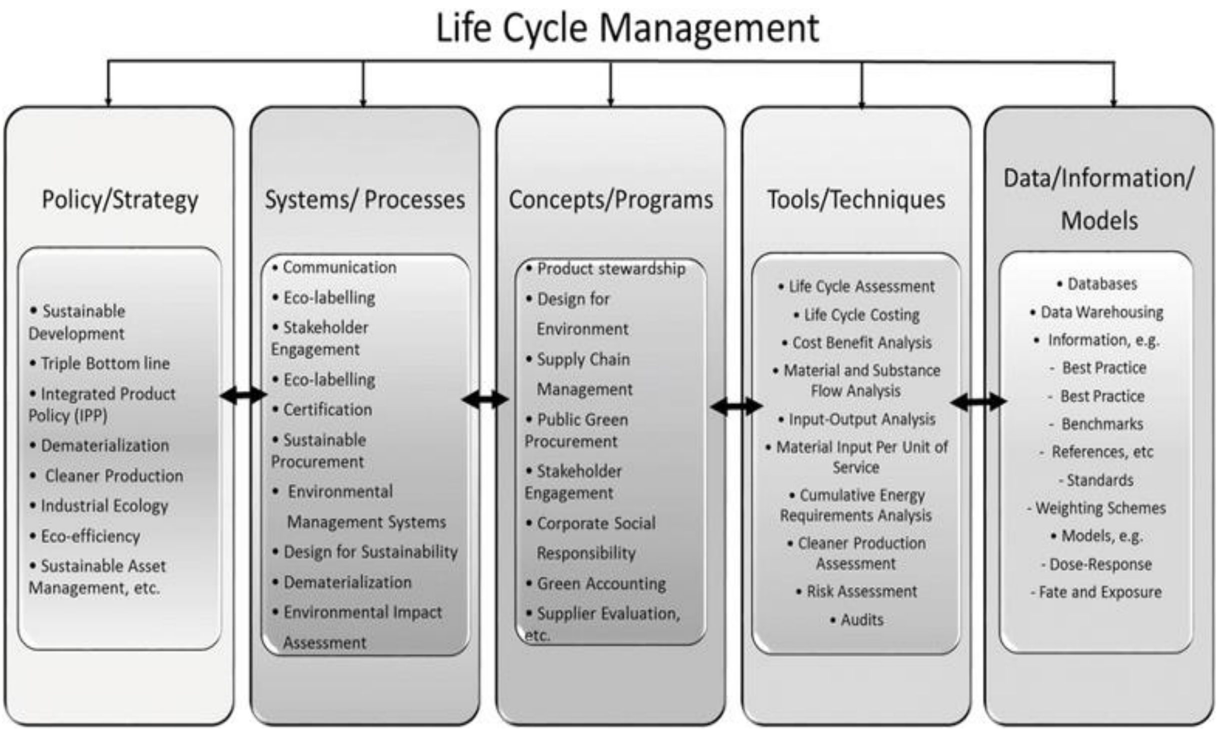


Fig 1.10 Life Cycle Management

Department	Main Activities
Production and Distribution	• Assess the environmental and social impacts associated with production processes and thus suggest an alternative solution to reducing resource consumption and the related impacts • Provide a novel ideas and data for product and process improvements • Identify and suggest a solution to reduce the impacts associated with the energy consumption connected to the transportations of raw materials, intermediate and finished products
Product Development and Design	• Move environmental and social considerations higher up on the design criteria list • Develop a new product with the starting point of social, ethical and environmental considerations for example a new clothes collection based on organic cotton and fair trade • Make the existing product more sustainable, for example by replacing an environmentally harmful substance with a less harmful substance • Shift from producing a product to supplying a service the sale of answering machines shifts to an electronic answering service delivered by the phone company • Assess the environmental and socioeconomic aspects of a product from two different angles based on a definition of the product system • A product life cycle perspective with assessment of the environmental and socio-economic impacts of a product system with tools such as Life Cycle Assessment (LCA) or Life Cycle Costing (LCC) • A stakeholder perspective with assessment of impacts based on the stakeholders' view such as legal requirements, market demands, and competitors' products. Quality Function Deployment (QFD), interviews, etc. are commonly applied tools
Economy and Finance	• Provide a good financial performance to allow the company to see its impact on driving the company towards sustainability and LCSM • Assess the life cycle avoided costs due to the implementation of LCSM project, for example, by tracking both the annual cost reduction and commutative savings from prior years
Purchase	• Play an important role in selecting the optimal raw materials, semi-products and products for production, by applying some tools that integrate environmental and social considerations together with other factors such as price, quality, and functionality • Encourage environmental considerations at their suppliers via questions and demands an overview of the supplier's environmental and social initiatives as well as policies documentation of the impacts from the previous life-cycle stages overview of working conditions at suppliers and sub-suppliers and/or specific environmental and social data regarding raw materials, secondary materials, etc.
Sales and Marketing	• Ensure a good flow of information to and from the customers such as consumer behaviour and preferences, product's eco-friendly use and disposal, etc. • Promote the eco-friendly product e.g. by the use of eco labels
Stakeholder Relations	• Identify and engage stakeholders (employees, suppliers, customers, etc.) so as to anticipate their opinions on the business, products and services and to identify what really matters to them

Departments in an organization and their relevance for life cycle management in practice (Based on the work from Remmen et al. 2007). Different categories of products have witnessed different lifecycles. In Technology products such as mobile phones, the advances in technology dominate the market and product lifecycle. Several companies such as BlackBerry, Nokia, Micromax have tried to adopt these technological changes. Some companies seem to be more successful than others such as Apple in the mobile technology market. Many technology companies have adopted the life cycle Management concept for sustainable future.

In Consumer products the pace is change is lower than technology products and with relevant product modifications and changes in marketing strategies it is possible to revive declining product life cycles.

The Company Aims to Make More than Half a Billion Hair Care Bottles with 25% PCR Plastic (Post-Consumer Recycled Plastic). P&G's Initiatives towards Sustainable Packaging

P&G has been using recycled plastic for packaging since the late 1980s. Here are some remarkable initiatives of the company confined towards sustainable packaging.

- P&G has invented Pure Cycle Technologies (PCT) to recycle polypropylene into almost new condition. This technology has a potential to U-turn the plastic recycling industry.
- P&G is a founding member of the Plant PET Technology Collaborative. This institution aims at promoting plant-based PET for packaging.
- For product and packaging manufacturing, the company is striving to use renewable sources of energy like solar and wind.
- P&G is a co-founder of the Society of Environmental Toxicology and Chemistry.
- P&G uses the elemental chlorine-free pulp for company's all paper products and packaging.
- To improve recyclability, many P&G product packaging has switched from colored PET to transparent PET.

Sustainability Outcome

P&G is the pioneer in using Life Cycle Assessment to design Municipal Solid Waste Management. The company is also one of the 100 Most Sustainable Corporations in the World. Following are the milestones achieved in P&G's sustainability efforts.

- P&G won the National Inventor of the Year award in 2006 for the design and development of PūR purification sachets.
- With redesigned packaging for products like Gillette Venus, Venus, and Olay, the company is able to save 26% plastic.
- In the year 2017, the company reduced its packaging by 13%.
- Today, the company has used more than34,400 metric tons of PCR (Post-Consumer Recycled Plastic) in its packaging.
- The company has collected 500,000 waste pieces equal to 13 tons of waste.

Head & Shoulders- Rethinking Plastic Packaging

P&G has launched the world's first completely recyclable shampoo bottle for its product Head & Shoulders. Teaming with the recycling experts- TerraCycle and SUEZ, P&G made this bottle with 25% recycled beach plastic.

Model Questions

1. Define product. Elucidate the different levels or stages of a product.
2. What are the factors that affect product management decisions?
3. Differentiate between augmented and potential product with an example in waste management sector.
4. Define product strategy.
5. What are the tasks performed by a Product Manager?

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Chapter 2 Introduction to Product Management

2.1 Defining Competition

- Poor firms ignore their competitors
- Average firms copy their competitors
- Winning firms lead their competitors.
- Philip Kotler

Introduction

Knowing, understanding the competition is critical to compete in the market. A company must constantly compare its products, prices, places and promotion with those of its competitors. In this way, it can identify areas of competitive advantage and disadvantage. The company can launch more precise strategies to tackle its competitors as well as prepare stronger defences against attacks, sometimes competitor can become a partner too.

Basic Questions to Ask

1. Who are our competitors? Who are not our competitors yet but they can be? (why they are not competing now?)
2. What are their objectives?
3. What is their marketing mixstrategies?
4. What are their strengths and weaknesses?

Analyze Competitors' Ability to

1. Conceive and design new products
2. Produce the product or deliver the service
3. Market their products
4. Finance
5. Manage

Structure

- 2.1 Defining Competition
- 2.2 Category Attractiveness Analysis
- 2.3 Competitor Analysis
- 2.4 Customer Analysis
- 2.5 Strategies to deal with competition

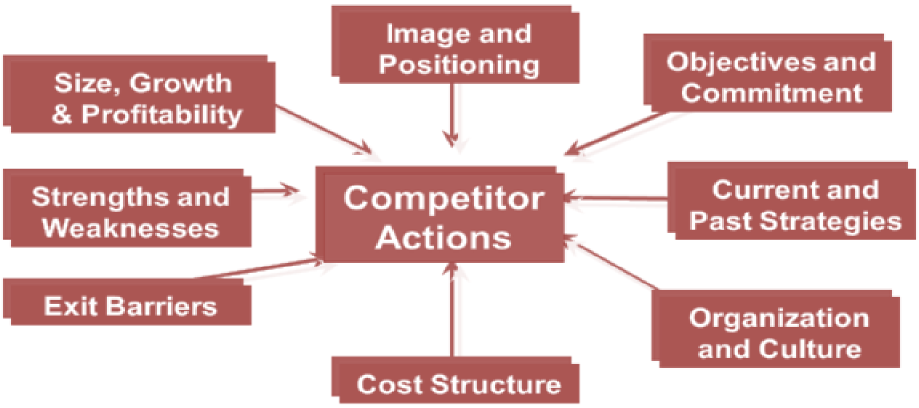


Fig 2.1 Analysing Competition

Different ways of Analyzing Competition

1. Supply-based approaches
2. Classify competitors based on objective attributes.
3. Demand-based approaches
4. Classify competitors based on customer attitudes and behaviors.
5. The Product-Industry Hierarchy identifies four levels of competition from a customer's perspective
    - Product form competition narrowest form includes products of the same product type.
    - Product class/category competition products with similar features that provide the same basic function.
    - Generic competition products that fulfill same basic need.
    - Budget competition products that compete for the same discretionary budget rupees/money

Four-level model of competition implies different tasks for each competitive level

a. Product form competition aim marketing activities at direct competitors.
b. Product class/category competition convince customers that your product form is best in the category
c. Generic competition convinces consumers of the superiority of your product category's ability to satisfy needs over other categories.
d. Budget competition same challenge as with generic competition.

6. Analysing competitors on Strengths and Weaknesses Dominant, Strong, Favorable, Tenable, sustainable, Weak, Nonviable

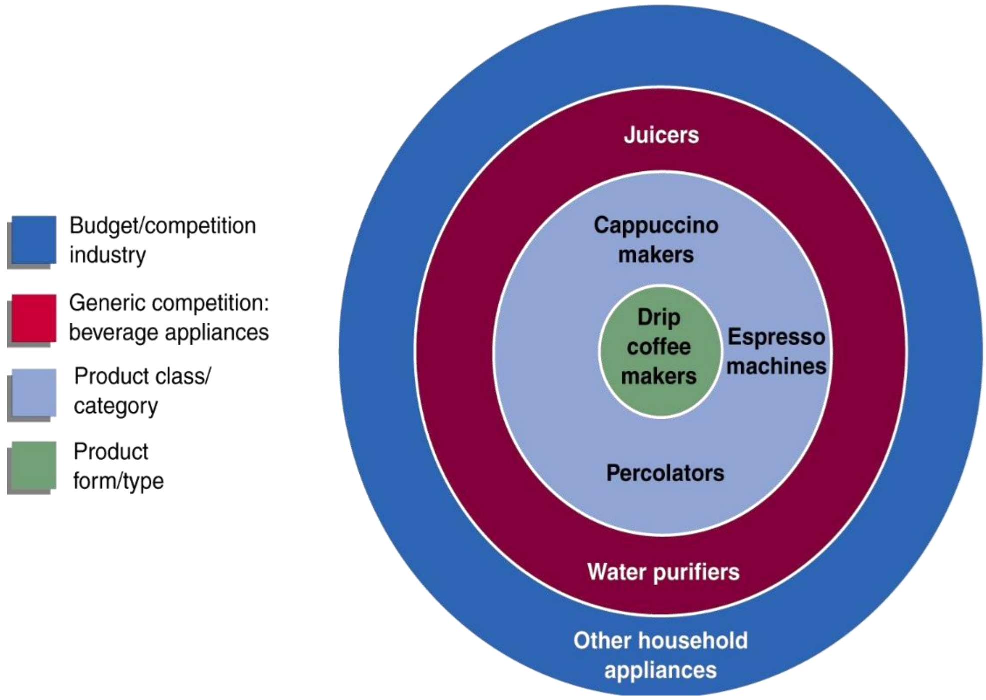


Fig 2.2 Different ways of analyzing competition

Table 2.1 Customer's Ratings of Competitors on Key Success Factors

	Customer Awareness	**Product Quality**	**Product Availability**	**Technical Assistance**	**Selling Staff**
Competitor A	E	E	P	P	G
Competitor B	G	G	E	G	E
Competitor C	F	P	G	F	F
Note E = excellent, G = good, F = fair, P = poor.					

Example from Rural Waste Management Market

Rupinder Singh Arora, Chairman of Arora Fibres Ltd, has been recycling discarded plastic bottles into polyester staple fibre since 1994 after he saw the colossal damage to the environment from mountains of bio-degradable plastic being burned in the country. "We were the pioneers in this field.

Apart from a commercial interest , converting PET Into polyester has a huge positive impact on the environment," says Arora. PET stands for polyethylene terephthalate.

Arora brought the technology to India after tying up with Korean company Minjung, which specialized in converting PET bottles into polyester yarn. His factory in the industrial belt of Silvassa in Dadra & Nagar Haveli has the capacity to process 18,000 tonnes of plastic a year and he plans to increase that to 48,000 tonnes by next year. Arora says the environmental benefit of recycling discarded plastic bottles is enormous. "By recycling 10 billion PET bottles, one can save one million square yards of landfill space and eliminate 0.25 million tonnes of carbon dioxide released into the atmosphere. Nd recycling one kg of PET saves around 25,000 BTUs (British Thermal Units)," he says. Plastic has clearly been profitable for Arora Fibres. It tapped the primary market in 1994 to raise Rs 9.6 crore to set up the Silvassa plant and logged Rs 34 crore in revenues in the financial year that ended March 2013. It hopes to touch Rs 75 crore this year. The polyester fibre has a huge market in many industries such as automobiles and is also used as packaging material for beverages, food products, pharmaceuticals, and consumer and industrial products.

But the business has had its ups and downs. Although there are about 20 players who convert nearly 300,000 tonnes of PET bottles into polyester fibre each year, the industry depends on rag pickers for raw material. Arora says the industry was also hit by an increase in raw material prices and a fall in finished product prices. "The shortage of raw material and the power problems until 2010 in Silvassa have been the reasons why others overtook us in the business," he says. "Despite competition and profitability getting squeezed, net margins remain healthy at 10 per cent." (Nayank, 2013)

Note that in waste management sector, there may not be many large corporations working in India. There are several start-up firms, small and medium sized companies and unorganized sector. For a very long time waste management was considered to be the domain of Public organizations such as central government and state government bodies such as municipal councils, civic departments, health departments etc. The rise in Industrialization, increasing population, economic growth, increasing consumption has created a demand for private players in the waste management sector. Slowly the governments across the world have started engaging private participation from entrepreneurs, multilateral NGOs etc. to create policies and systems to encourage a circular economy.

In future as the commercial aspect of waste management improves and demand for more waste management solutions increases, more private companies will enter the market. New technologies such as converting water from waste, creating several products out of waste, etc. will encourage competition in the market. The companies which are now investing in this market will gain First Mover Advantage and leverage the same in the future.

2.2 Category Attractiveness Analysis

An essential component of the marketing planning process is an analysis of a product's potential to achieve a desired level of return on the company's investment. Thus, the category analysis is done to define the set of competitors against which one most often competes on a daily basis. Analysis of this type not only assesses financial opportunities but also provides ideas about how to compete better under the given structural characteristics of the category. The characteristics of a product category rarely all point in the same direction. Consequently, the categories that some firms find attractive will be of little interest to others.

Product categories are groups of products that offer similar benefits. The idea is to consider products part of a group or groups of products that do the same things for customers. The advantage of incorporating benefits into thinking about product categories is to define the benefits that make up the product category. And because, in all likelihood, the other firms included in the product category will be pursuing the same customers, thinking about the product category in terms of benefits also helps identify current and potential competitors.

In Waste management, each of the following types of waste can be a product category. Urban waste, industrial waste, biomass waste, and biomedical waste. With terms that are more specific, waste can be categorized as

- **Solid Waste** Solid rubbish consists of number of items found in household along with some commercial as well as industrial locations.
- **Liquid Waste** Households and industries generate liquid waste.
- **Organic Waste** Consisting of organic material such as food, garden and lawn clippings organic waste includes animal and plant based material and degradable carbon such as paper, cardboard and timber, commonly found in household.
- **Agricultural Waste** Waste generated by agriculture includes waste from crops and livestock.
- **Bio-medical Waste** Bio-medical waste means any waste, which is generating during the diagnosis, treatment, or immunization of human beings or animals.
- **Recyclable Rubbish** Recyclable rubbish consists of all waste items that convert into products and use again as all types of metals, paper, and organic wastes.

Category Size Category Size is an important determinant of the likelihood that a product will generate revenues to support a given investment. That is why, in general larger markets are better than smaller ones. Besides, having more market potential large categories usually offer more opportunities for segmentation than smaller ones. Therefore, both large firms and entrepreneurial organizations might find large markets attractive. Large markets however tend to draw competitors with considerable resources thus making them unattractive for small firms.

Product Sales. The most commonly used measure of category size would be how much product was sold in the category. Product sales may be measured in units or in rupees. The decision on which to use may rest in part with the role of price in sales. If prices among competitors in the category are relatively similar or if price does not vary much due to negotiation or discounts, then either sales or dollar sales are appropriate measures of category size. However, if prices fluctuate or cover a broad range among legitimate competitors, then sales may be a better measure of category size. By either measure, large category size does not automatically equate to an attractive category. Large categories may have attracted large competitors, which may require large resources to get in or stay in. If so, companies eyeing these opportunities must have something compelling to offer customers and they must have the resources to promote and distribute it. If the category is crowed, they must also have the ability to cut price, because large crowded categories compete with discounts until some weaker competitors are shaken out.

Number of Customers. A more unusual take on category size is the number of customers who actually purchase in the category. This take on category size intersects with the notions of market and sales potential, as customer valuation, all of which we will cover later. However, the simple truth that not all customers are equally valuable to companies. The question from a category size perspective is whether less valuable customers can be made into more valuable customers. If the overall number of customers and the proportion of them that are not particularly valuable are both relatively high, then this measure of category size may be useful.

Category Growth While analyzing the category growth as a crucial factor, it has to be remembered that fast growing categories are almost universally desired due to their ability of support high margins and sustain profits in future years. However, the faster the growth the category has, the higher is number of the competitors the category is likely to attract.

Calculating Category Growth. The formula for calculating a growth rate is straightforward enough and is given by the simple formula below where t represents the current time period.

$$GrowthinSales = Sales_{t} - Sales_{(t-1)} / Sales_{(t-1)} \times 100$$

The formula calculates what percentage category sales have grown from the previous to the current period. Importantly, the chosen for t depends on the circumstances. Usually with category growth, managers rely on years, however, quarterly or even monthly sales data may also be useful. Whatever is chosen, a single growth calculation will not paint a good picture of what's happening in the category. At least three period of growth calculations are necessary to even imagine a trend and even this is not much data. Ten years would be closer to a satisfactory amount. This way growth can view over a longer period to see whether any observed trends are likely to be transitory.

Stages in Product Life Cycle This makes a very interesting stage of the category attractiveness analysis. In the introductory phase, both the growth rate and the size of the market are low, thus making it unattractive for most potential participants. When market growth and sales start to take off, the market becomes more attractive. In the maturity phase the assessment is unclear while the growth rate is low, the market size could be at its peak. This is a classic pattern for many consumer-packaged goods (esp. eatables). However, the phases do not guarantee the category attractiveness. While the introductory phase despite having low growth rate can be attractive for a participant with long-term perspective, the growth stage can very easily witness failure.

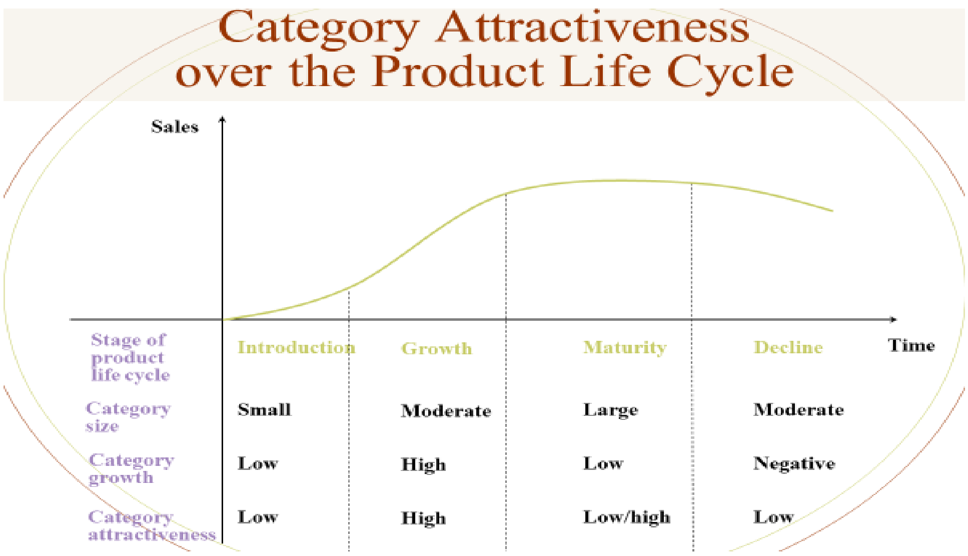


Fig 2.3 Stages in product life cycle

In the development stage, the product is not yet available for sales so to the market, the category does not yet exist. To the developing firm (or firms) it does exist and it is already losing money in the absence of any sales.

Once the product is introduced, sales begin. At this stage, there may be only one brand in the category (called the category pioneer) but that usually does not last long. Before the end of the introduction stage, competitive brands may already be entering the category. Note that across all brands, the category still loses money. Launching new products requires significant investment and sales will be awhile catching up. In the growth stage, category sales start to increase at an increasing rate. This is because, if the product is catching on with consumers, many competitive brands may jump in. Their combined sales pushes the category sales curve up rapidly. Losses reach their low point at the start of the growth stage. Early entrants are starting to recoup their investments and so losses moderate. The category usually becomes profitable at some point in the growth stage. Category growth remains positive but begins to slow during the maturity stage. Profits also begin to rise. During this stage, brands that did not really catch on begin to close. Customers of these firms switch to surviving brands, making them more profitable. Both category sales and category profits reach their high points in the maturity stage.

In a well-established category, the cost of selling should be relatively low, meaning that firms milk their brands for cash during this stage. Eventually category sales begin to drop. More firms begin to leave the category or close as they cut their losses. Perhaps they are turning to whatever product or technology that will replace the current category. Overall category profits may begin to fall, but for strong surviving firms, this stage may remain profitable for some time. Thus, for the overall category, sales and profits may be declining, but for the category leader or leaders, the category may still be producing solid results. Of course, at some point this will begin to fall off, even for the leaders. With good planning, that eventuality need not be traumatic to these firms. The point to the PLC is to illustrate that categories experience periods of rapid growth, slow growth, and similar periods of decline. For firms seeking to enter categories, the category's position along the PLC will do much to predict future growth opportunities. One can argue that there can be no decline for certain waste management products such as organic waste, as food consumption may never reduce unless there is significant drop in population. Whereas if policy and regulations decide to restrict the production of certain products which are harmful such as high polluting refrigerators or pharma industries etc then the waste management products in those domains will see a decline. Demand for waste management products/services is derived demand based on factors such as population growth, pollution index, government policies and regulations, industry growth etc.

Table 2.2 Attractiveness of Market Variables

	Attractiveness	
	High	**Low**
Market size	+	–
Market growth	+	–
Sales cyclicity	–	+
Sales seasonality	–	+
Profit level	+	–
Profit variability	–	+

High capital-intensive businesses suffer through peaks and valleys of sales as GDP varies. Notes Agricultural goods vary in accordance with the rainfall and similar natural phenomena. Such a category would obviously not be considered to be attractive. Profits While profits vary in products and brands in category, large inter-industry differences also exist. The higher the profit margin, the higher is the category attractiveness for the potential participants in that category

Porter's 5 forces analysis can be applied to assess category attractiveness.

- Threat of new entrants
- Bargaining power of buyers
- Bargaining power of suppliers
- Current category rivalry
- Pressure from substitutes
- Category capacity

Environmental Factors to be Considered Technological, Political, Economic, Regulatory and Social

Category Capacity

As economic theory describes, over time supply and demand try to match each other in what economists refer to as equilibrium. Equilibrium occurs when supply just matches demand at a price that just clears the market with no surplus and no unmet demand. In the real world, of course, this does not happen except when considered in the long term. Buyer bargaining power is high when Product bought is a large percentage of the buyer's cost. Product bought is undifferentiated. Buyers earn low profits. Buyer threatens to backward integrate. Buyer has full information. Substitutes exist for the seller's product or service. Supplier bargaining power is high when Suppliers are highly concentrated, that is, dominated by a few firms. There is no substitute for the product supplied. Supplier has differentiated its product or built in switching costs. Supply is limited.

2.3 Competitor Analysis

Competitor analysis is a critical part of a firm's activities. It is an assessment of the strengths and weaknesses of current and potential competitors, which may encompass firms not only in their own sectors but also in other sectors. Directly or indirectly, competitor analysis is a driver of a firm's strategy and impacts on how firms act or react in their sectors. Gluck, Kaufman and Walleck (2000) showed that competitor analysis is one of two components that give a firm a strong market understanding. This drives the formulation of a strategy and it applies whether a firm formulates a strategy through strategic thinking, formal strategic planning, or opportunistic strategic decision making. Competitor analysis, together with an understanding of major environmental trends, is a key input in strategy formulation and should be developed properly.

Competitor analysis in marketing is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context through which to identify opportunities and threats. Competitor profiling coalesces all of the relevant sources of competitor analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment. Given that competitor analysis is an essential component of corporate strategy, it is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives." As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis.

Box 2.2 Uneven Playing Field Dampens Market Attractiveness

Indian waste management and recycling sector startups that attracted investors to pump in funds have not been able to scale up and spread their footprint widely, because the industry has been stymied by unorganized players who do not pay taxes, and lack of uniform norms. The startups are seeking effective quality norms for recycled products and homogenous applicability of tax laws to plug leakages and impede unorganized players from reaping unfair gains through substandard fair gains through substandard products and tax evasions. About half-a-dozen startups in the waste management and recycling sector were funded in the past eight months, including Hyderabad-based Banyan Nation, Bengaluru-based Saahas Waste Management and Delhi-based Kabadi Express. The industry's prospects remain bright.

"All the dimensions that an investor looks at are available in this space — the need for such a startup exists, there is no large customer acquisition cost and we have all of India to scale up," said Sreedhar Prasad, partner, E-commerce and Startups, KPMG.The informal sector in India collects last-mile trash, leading to a 70% recovery rate, says Mani Vajipey, co-founder of plastic recycling startup Banyan Nation. However, the loop needs to be closed by value-added recycling. This is where Banyan Nation sees a role. After starting out with waste management in 2013, Banyan Nation pivoted to closed-loop plastic recycling by the end of the year. They mapped out around 1,500 kabadiwalas in the city and started working with them, but couldn't compete with the mom-and-pop recyclers who have small extruders, churning out low quality plastic.

"These recyclers are not registered, which means they are able to sell this low-quality plastic at a lower price and yet able to make profits without paying their taxes," said Raj Madang opal, co-founder of Banyan Nation. Till the sector gets organized and sees a level playing field, the duo urges the government to consider extending tax subsidies to the genuine, tax-paying enterprises. There are around 90 waste management startups in India, according to investment data-tracking company, Xeler8. But these constitute only 21% of the clean technology industry. "It's not a glamorous job, but entrepreneurs need to go deep into this space to make sure that the waste doesn't reach a landfill," said Nagaraja Parkas, an investor with the Indian Angel Network Impact, who has backed Sahaas. Founded by Wilma Rodrigues in 2013, Sahaas focuses on organic waste management along with collection and recycling of packaging and electronic waste. It manages a total of 20 tonnes of waste per day in Bengaluru, Chennai and Hyderabad and Sahaas' clientele include residential communities and tech-parks. Rodrigues says many tech-parks that have to comply with waste management rules only focus on waste disposal. "We lose out on customer base because they don't comply with rules," she said

Read more at:
//economictimes.indiatimes.com/articleshow/53389026.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst Varsha Bansal, jul 26, 2016

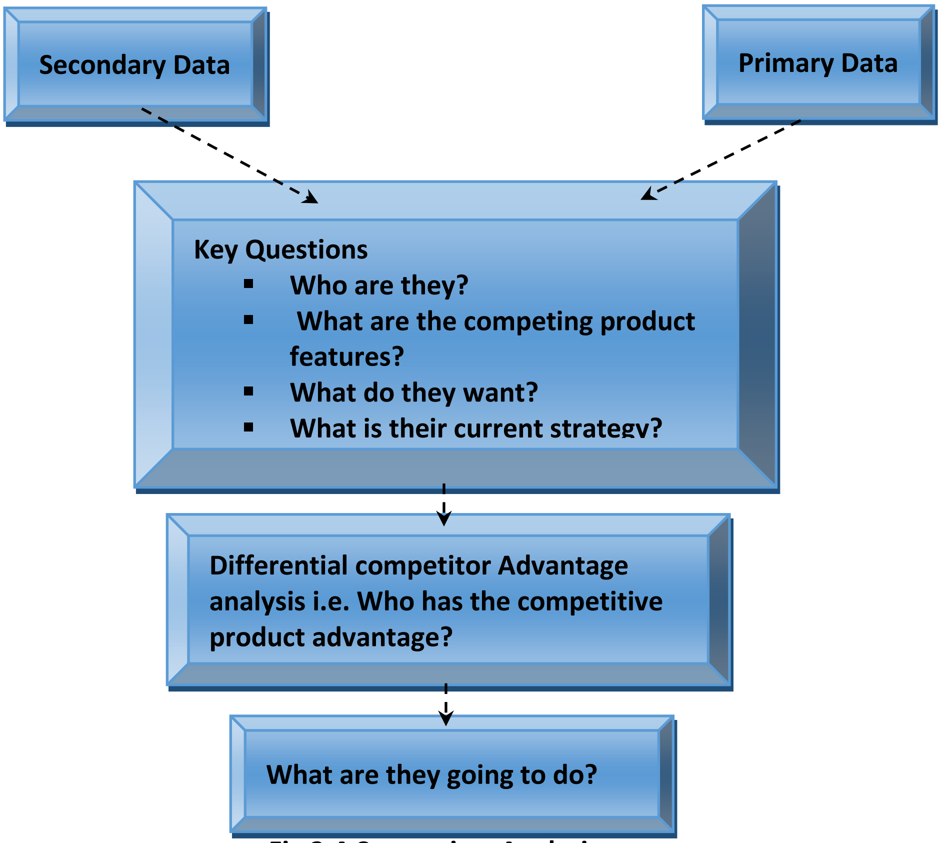


Fig 2.4 Competitor Analysis

The key questions to be asked are depicted in a sequential manner. Data of three types can be collected.

Recorded Data This is easily available in published form either internally or externally. Good examples include competitor annual reports and product brochures.

Observable Data This has to be actively sought and often assembled from several sources. A good example is competitor pricing.

Opportunistic Data To get hold of this kind of data requires a lot of planning and organization. Much of it is "anecdotal", coming from discussions with suppliers, customers and, perhaps, previous management of competitors.

Possible sources of competitor data using Davidson's categorization are

Recorded data	Observable Data	Opportunistic Data
Annual reports and accounts Website updates	Pricing/price list	Meetings with suppliers
Press Releases	Advertising campaigns	Trade shows
Newspaper articles	promotions	Sales force meetings
Analysts reports	Tenders	Seminars/conferences
Regulatory reports	Patent applications	Recruiting ex-employees

Presentations/speeches		Discussions with shared distributors
		Social contacts with competitors

Assessing Competitors Strategies

Marketing Strategy Comparing value chains, marketing mix (Pricing, Promotion, Distribution and Product/Service capabilities)

Technology Strategy Technology selection or specialization, Level of competence, Sources of capability internal versus external, R&D investment level, Competitive timing initiate versus respond, R&D organization and policies.

Competitors' Information to be Collectedability to conceive and design, Ability to produce, Ability to market, Ability to finance and Ability to manage

Differential Competitor Advantage Analysis

Critical Success Factors	Firm/Product					Our Product
	A	B	C	D	E	
1						
2						
3						
4						
5						
Overall Rating						

Method of Analysing Competitors Strategies

Porters' Framework

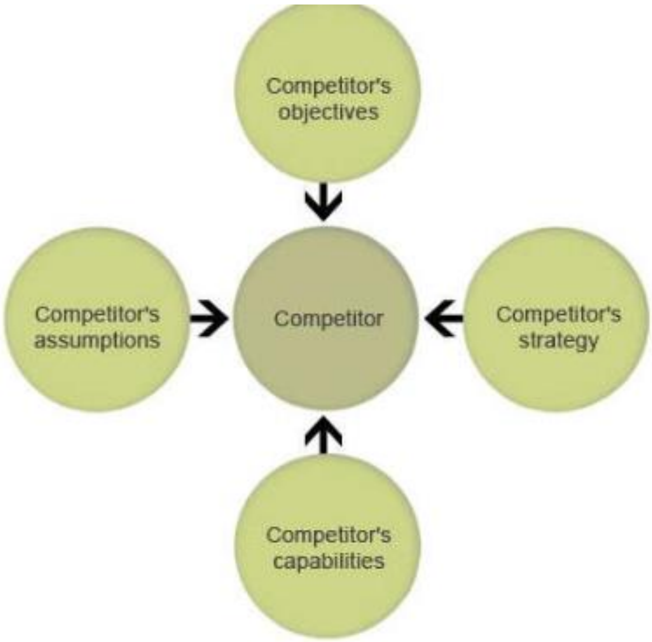


Fig 2.5 Porters' Framework

Source: http://www.netmba.com/strategy/competitor-analysis/

Michael Porter has defined a competitor analysis framework that focused on four key aspects (Porter, 1980 cited in netmba.com) competitor's objectives, competitor's assumptions, competitor's strategy, and competitor's resources and capabilities. These four aspects of competitor analysis are the areas critical for a firm to understand and they should pursue this knowledge not only for current competitors but also for other potential competitors in the business.

This framework is broken into two parts. The competitor's objectives and assumptions drive the competitor while the competitor's strategy and resources and capabilities define what the competitor is doing or is capable of doing. Together, these four aspects define a competitor response profile which gives the firm an understanding of what actions a competitor may take. Taking this analysis across a firm's key competitors will give the firm a viewpoint on where the sector is heading, and provides the firm with a basis for developing their strategy and actions.

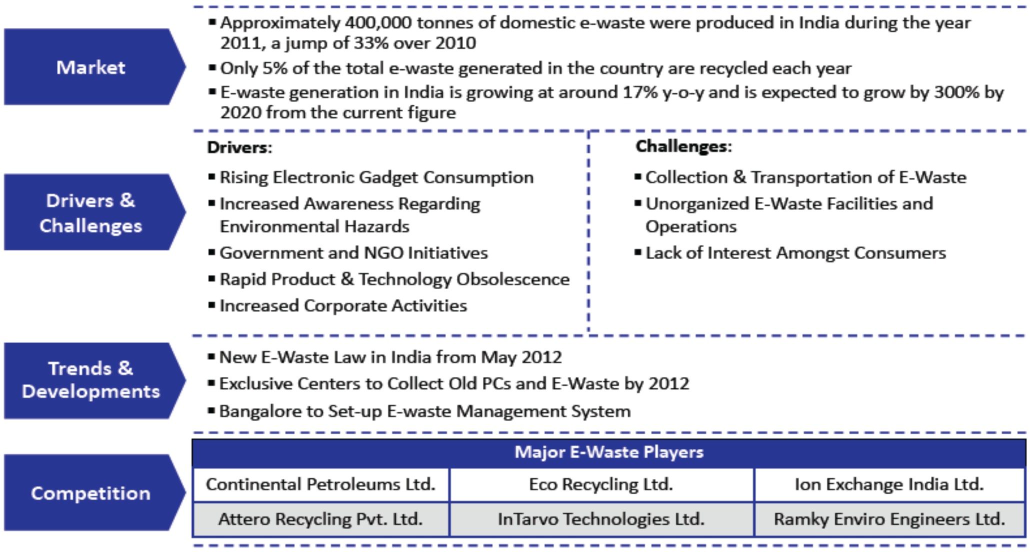


Fig 2.6 Example of e-Waste Management

Although no definite official data exist on how much waste is generated in India or how much is disposed of, there are estimations based on independent studies conducted by the NGOs or government agencies. According to a 2006 estimate of CII, the total waste generated by electrical and electronic equipment in India was around 146,000 tons per year. Among the 10 states that contribute 70% of the total e-waste generated in the country, Maharashtra ranks first followed by Tamil Nadu, AP, UP, West Bengal, Delhi, Karnataka, Gujarat, MP and Punjab.

Around 70% of the e-waste in India comes from the government, public and private (industrial) sectors individual house-holds contribute around 15%. According to Indian Market Research bureau (IMRB) survey of 'E-Waste generation at source' in 2009, out of the total e-waste volume in India, TVs and PCs including servers comprised 68% and 27% respectively. Imports and mobile phones accounted for 2% and 1% respectively.

Future Trends

A United Nations has predicted that by 2020, e-waste from old computers would jump by 500% on 2007 levels. Additionally, e-waste from discarded mobile phones would be about eighteen times higher than 2007 levels by 2020. Such predictions highlight the urgent need to address the problem of e-waste in developing countries like India where the collection and management of e-waste and the recycling process is yet to be properly implemented on a large scale.

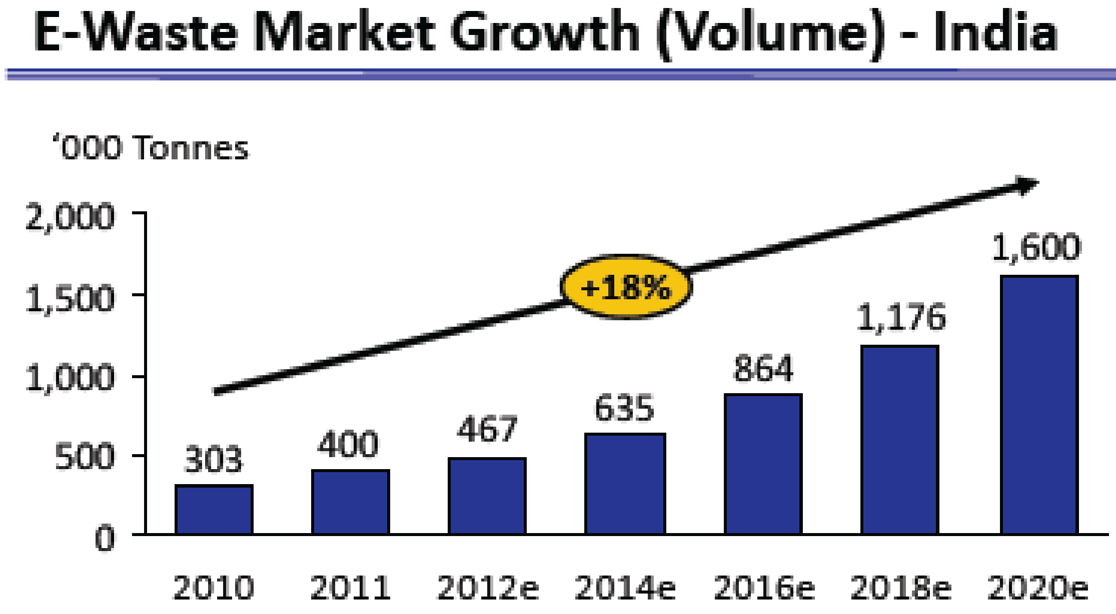


Fig 2.7 E-Waste Market Growth

Unorganized Sector

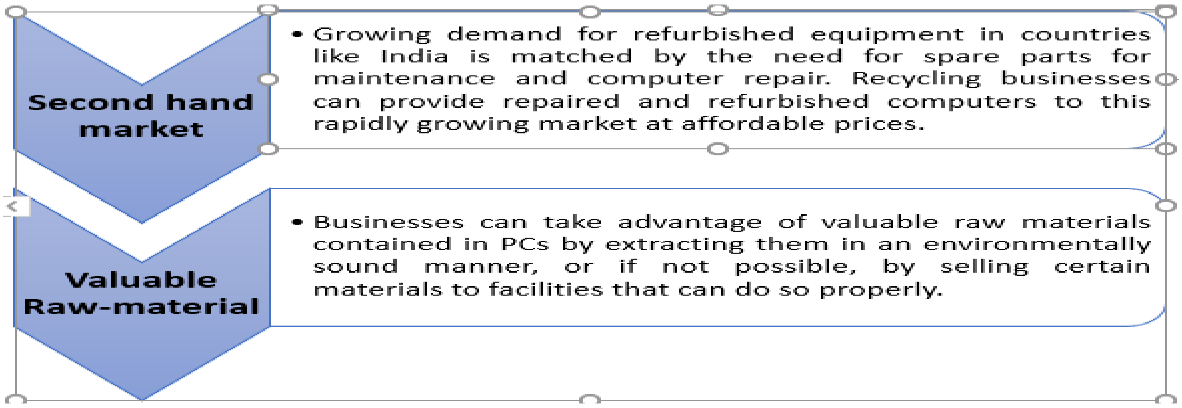
Around 90 % the e-waste generated in the country ends up in the unorganized market for recycling and disposal. The unorganized sector mainly consists of the urban slums of the metros and mini-metros, where recycling operations are carried out by the unskilled employees using the most rudimentary methods to reduce cost. The unorganized sector consists of an assortment of small and informal businesses not governed by any stringent health and environmental regulations. Workers face dangerous working conditions as they may be without protection like gloves or masks. Many workers function from homes to reprocess waste, further exposing themselves, their families and the environment to dangerous toxins. In this sector, the dismantlers extract metals on their own or work with a big trader, earning about Rs. 100/per day. Two motherboards usually weighing one-kilogram cost Rs. 230. A profit of 10 per cent is made after selling the metals

Imports

India is one of the largest wastes importing countries in the world. All types of wastes are imported into the country in the form of cheap raw materials including hazardous & toxic wastes.

Opportunities

The growing menace of E-waste, despite being a serious threat, has emerged as a business opportunity of increasing significance, given the volumes of e-waste being generated and the content of valuable materials in them. The fraction including iron, copper, aluminums, gold and other metals in e-waste is over 60%, while plastics account for about 30% and the hazardous pollutants comprise only about 2.70%. From an economic perspective, informal material recovery processors lose significant amounts of metals that could be more effectively recovered through the use of existing state-of-the-art technologies.



http//bodhable.com/business_strategy/industry-analysis-ewaste-management/

2.4 Customer Analysis

Consumer

A term used to describe two different kinds of consuming entities personal consumers and organizational consumers.

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on. Using segmentation allows companies to target groups effectively, and allocate marketing resources to best effect.

Customer segmentation procedures include deciding what data will be collected and how it will be gathered collecting data and integrating data from various sources developing methods of data analysis for segmentation establishing effective communication among relevant business units (such as marketing and customer service) about the segmentation and implementing applications to effectively deal with the data and respond to the information it provides.

Customer segmentation means analyzing our customers and identifying groups of individuals with similar requirements, preferences or competencies. This helps us to tailor our services to ensure that we are inclusive and meet the requirements of all of our customers. Understanding more about our customers helps us to design and deliver appropriate clusters of services in ways that are most convenient for different groups. It can also help us to deliver services in more effective and efficient way

Information required about current and prospective customers

- Who buys and uses the product?
- What customers buy and how they use it
- Where customers buy
- When customers buy

- How customers choose
- Why they prefer a product
- How they respond to marketing programs
- Will they buy it (again)?

Criteria for Customer Segmentation

Market segmentation is done on the following lines based on Consumer Behavior

The behavior adopted by consumers display in searching for, purchasing, using, evaluating and disposing of services and ideas.

Segmentation

Customer segmentation means analyzing our customers and identifying groups of individuals with similar requirements, preferences or competencies

1. Geographic factors Geographic segment is for the region like south northwest and east of the country. Each region has its own peculiarities in customer needs and therefore consumer behaviour too is different for each. In each region there are Metro large areas, large cities and smaller towns, besides villages. Urban, semi-urban and rural divide provides a market segment.
2. Demographic factors Demographic segment is by age, sex, marital status, income, education and occupation. Age segment is important as with growing population of senior citizens and a large teenage group, product needs for these segments are increasing. Health care products and vacation time products are needed for elder citizens. Teens frequent coffee bars, discos and video game parlours.

   Income separates people in their buying pattern and product groups. Marketers can decide to cater to one income group or the other, make products needed by them and then advertise in the media those that are most seen and read. Low cost readymade garments for low-income segment can be advertised best on radio and local language press.

   Male and female customers have some specific products for each, like shaving creams for men and lipstick for women. With age the use of cosmetics change for women and marketers can make use of this change by offering products of their need.
3. Psychological factors People's needs like shelter, food, safety, affection and self-actualization makes for different segments. These are the hierarchy of needs as per Maslow. Psychological/Psychographic segment divides customers around their mindsets.
4. Socio-cultural factors Family, society, culture and sub-culture affect customer behavior. The needs of bachelors/spinsters vary significantly from married people. In the same manner, nuclear families, joint families have different requirements. The stage and age in life has significant impact on products/services required by customers.
   Sub-culture in India is very diverse as there are several sub cultures in different parts of the country based on region, religion etc. Companies such as Amazon.in and flipkart.com create targeted sales strategies for Diwali and they are hugely successful in both urban and rural India.

5. Use related Customers use different products with different frequencies. Airlines and other organizations create reward points and frequent user benefits to encourage customers to use more of the same services.
6. Benefit segment Benefit segmentation is dividing the market based upon the perceived value, benefit, or advantage consumers perceive that they receive from a product or service. Firms can segment the market based upon quality, performance, customer service, special features, or other benefits. Often, different grades of the same product are offered to different market segments. Many different businesses use this type of segmentation, including the auto, clothing, furniture, and consumer electronics industries.
7. Combination of some of the above-mentioned factors Almost all organizations use a combination of different types of segmentation to be successful in the market and make the offering attractive to a wide range of customer segments.

Desirable Criteria for Segmentation
A Market Segment should be

- **Measurable** Market segments are usually measured in terms of sales value or volume (i.e. the number of customers within the segment). Reliable market research should be able to identify the size of a market segment to a reasonable degree of accuracy, so that strategists can then decide whether, how, and to what extent they should focus their efforts on marketing to this segment.
- **Substantial** Simply put, there would be no point in wasting marketing budget on a market segment that is insufficiently large, or has negligible spending power. A viable market segment is usually a homogenous group with clearly defined characteristics such as age group, socio-economic background and brand perception. Longevity is also important here no market segmentation expert would recommend focusing on an unstable customer group that is likely to disperse, or change beyond recognition within a year or two.
- **Accessible** When demarcating a market segment, it is important to consider how the group might be accessed and, crucially, whether this falls within the strengths and abilities of the company's marketing department. Different segments might respond better to outdoor advertising, social media campaigns, television infomercials, or any number of other approaches.
- **Differentiable** An ideal market segment should be internally homogeneous (i.e. all customers within the segment have similar preferences and characteristics), but externally heterogeneous. Differences between market segments should be clearly defined, so that the campaigns, products and marketing tools applied to them can be implemented without overlap.
- **Actionable** The market segment must have practical value its characteristics must provide supporting data for a marketing position or sales approach, and this in turn must have outcomes that are easily quantified, ideally in relation to the existing measurements of the market segment as defined by initial market research.

Box 2.2 Segmentation at Ramky Enviro Engineers

About Ramky: Ramky Enviro Engineers Limited, One of the Ramky Group's key member has transpired as Asia's leading provider of comprehensive environment management services. Ramky Enviro engineer Ltd.'s business interests are diverse which includes Waste Management - hazardous, municipal, biomedical & e-waste Recycling - waste water, paper, plastic and integrated waste.

Hazardous Waste Management

Industrial Waste Management division of Ramky Enviro Engineers Ltd is responsible for handling waste generated by industries. Ramky Enviro Engineers Limited (REEL) has set up India's first integrated industrial hazardous waste management facility at Hyderabad in 1998. The Company handles more than a million tonnes of hazardous waste annually which counts to be approx. 65% of total waste treated in India.

The IWM facilities of Ramky are guided by international standards – they support double composite liner landfills with Leachate collection arrangement following USEPA's RCRA Subtitle C requirements for landfills. Waste received at these facilities is disposed of by three modes –

- Direct Land filling
- Stabilization of Waste
- Incineration of Waste

The facilities and specific equipments used are fully dedicated to handle hazardous waste and are complied with rules defined by Central Pollution Control Board and the Ministry of Environment and Forests, New Delhi.Ramky operates hazardous waste incinerators at Chennai (Tamil Nadu), Haldia (West Bengal), Hyderabad (Telangana), Kanpur Dehat (Uttar Pradesh), Indore (Madhya Pradesh), Taloja (Mumbai) and Vizag (Andhra Pradesh).

Presently IWM has 9,600 Customers all over India. Our ISO 9001, ISO 14001, ISO 17025, OHSAS 18001 certifications and state-of-the-art R&D with NABL accredited labs, have set the platform for excellence in environmental and Industrial Waste Management Sector.

Ramky handles biomedical waste of 12000 healthcare establishments in Hyderabad using sterilization using autoclaves and chemical treatment and incineration of a part of the waste received. In Municipal Waste segment the following services are offered: Primary Collection – Door to Door Collection Secondary Collection - Bins & Other storage locations, Transportation, Transfer Station Construction & Management, Composting & RDF, Bio-methanation, Waste to Energy- Incineration, Engineered Sanitary Landfills & Capping, Materials Recycling and Reclamation Land Remediation Services, Mechanical / Manual Sweeping

Under Integrated environmental services Water and Waste Water Treatment, Effluent collection, treatment and disposal, Consultancy Services, Air pollution monitoring, Facilities Management Services, Soil and Lake Remediation, Recycling, Plastics, Paper and E-Waste

Customers are: Large scale industries and industrial parks, Major infrastructure facilities like:Airports, railways and ports, Power Plants and MiningUnder Clean Energy the following services are offered primary Collection – Door-to-Door Collection, Waste Bulking and Transfer – Secondary Collection & Transportation, Transfer Station Management, Composting, Waste to Energy, Engineered Sanitary Landfills & Capping, Materials Recycling and Reclamation and Land Remediation Services
http://ramkyenviroengineers.com/

2.5 Strategies to Deal with Competition

Every business has competitors, understanding and countering competitors' actions forms a core activity for product managers.

1. The First Step is to Understand Competitors' Objectives

The company has to make efforts understand what drives each competitor's behavior. Normal Micro-economic assumption is that every firm attempts to maximize their profits. However, in actual practice, companies differ in the weights they put on short-term versus long-term. Hence,

each firm pursues a mix of objectives, current profitability, market share growth, cash flow, technological leadership, service leadership, etc. with different weights attached to them. A critical step in a competitor analysis is to assess what the current objectives are for the major competitor products. An assessment of current objectives provides valuable information concerning the intended aggressiveness of the competitors in the market in the future. It also provides a context for assessing the capabilities of competitors, i.e., does firm marketing brand
A have the resources to successfully pursue such an objective?

When discussing objectives, it is important to define them precisely for many different types of objectives exist. In the context of marketing planning, three basic business objectives can be identified.

1. Growth Objective A growth objective usually implies increasing sales or market share, with profit conditions being secondary.
2. Hold Objective The hold objective could also be termed a consolidation objective. A hold scenario might be logical for a brand that is losing market share in that a reasonable first step in reversing its fortunes is to stop the slide.
3. Harvest Objective Finally, a harvest objective, also referred to as milking, describes a situation in which profit is paramount relative to market share. At the corporate level, return on investment or other, more aggregate statistics becomes more relevant.

2. Second step is to assess competitors' current strategies

Resourceful competitors revise their strategy through time. Companies have to monitor the strategies of companies that fall in their strategic group more closely.

A group of firms following the same strategy in a given target market is called a strategic group. A company needs to identify the strategic grouping in which it competes. It has to monitor efforts of even potential new entrants into this strategic group. Also, it has to monitor efforts of companies in adjoining strategic groups.

The two elements of a strategy are the segments it appeals to and the core strategy. For industrial products, both can be easily determined by examining three sources of information product sales literature, the company's own sales force, and trade advertising. The former provides information about the core strategy because brochures usually detail the point of difference the competitor wants to emphasize. Even if the sales literature does not present a product features chart, it should indicate the brand's major strengths. Physical brochures are not often needed today most industrial firms website's provide a wealth of technical and positioning information that help to determine the core strategy. A firm's own sales force can provide some data concerning targeted companies or industries, much of it resulting from informal contacts, trade show discussions, and the like. Finally, differential advantage being quoted. One can determine the differential advantage directly from the ad copy and the target segments at least partially by the location (publication) in which the ad appears.

For consumer goods or other products targeted toward a large audience, simply tracking competition’s ads, either by self or by using one of the services provides most of the necessary information. Television ads can be examined for their messages and for the programs in which they appear. TV advertising is quite useful for determining the core strategy because the nature of the medium prohibits communicating all but the most important message. Similarly, print advertising can provide equivalent information, but with greater elaboration of the core strategy.

Information about implementing current strategies is also easily found. Pricing information can be obtained from basic market observation Distributors, salespeople, customers, advertising agencies, or even firm’s own employees acting as customers on their own behalf can be the sources of pricing data. Promotion, distribution, and product information can be obtained from similar sources. In other words, as in determining competitors’ objectives, it takes market sensitivity rather than sophisticated management information systems to assess much of the competitive activity.

Both customer and stakeholders get special mailing and information that make strategy assessment easier. Furthermore, personal use of competitors’ products often gives one a feeling for them that does not come through even the best-prepared research.

A useful way to examine competitors’ capabilities is to divide the necessary information into five categories that include the competitors’ abilities to conceive and design, to produce, to market, to finance, and to manage their offerings in the market.

Porter's Generic Competitive Strategies (ways of competing)

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

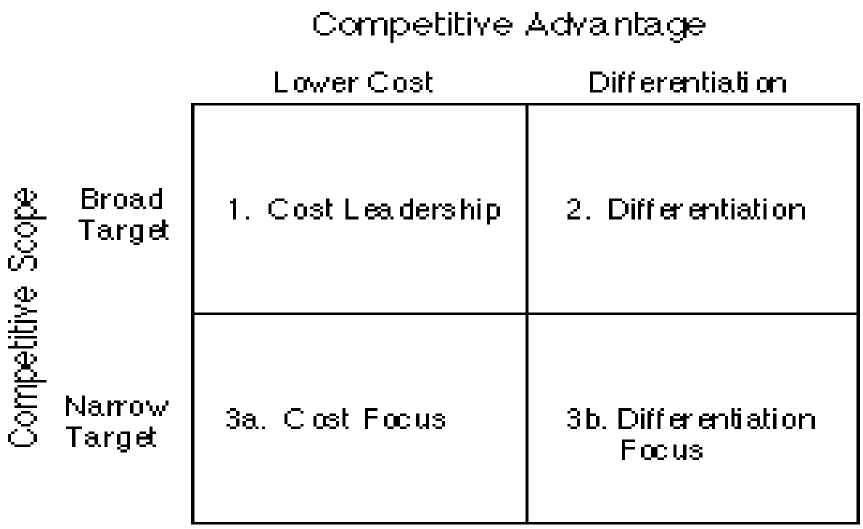


Fig 2.8 Porter's Generic Competitive Strategies

1. Cost Leadership

In cost leadership, a firm sets out to become the low-cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low-cost producer must find and exploit all sources of cost advantage. if a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

2. Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

3. Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

The Focus Strategy has Two Variants.

(a) In cost focus a firm seeks a cost advantage in its target segment, while in **(b)** differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

Strategies to Deal with Competition

Philip Kotler has stated that there are 4 types of companies in any market.

Market Leader In the majority of industries there is one firm that is generally recognized to be the leader. It typically has the largest market share and, by virtue of its pricing, advertising intensity, distribution coverage, technological advance and rate of new product introductions, it determines the nature, pace and bases of competition. It is this dominance that typically provides the benchmark for other companies in the industry. However, it needs to be emphasized that market leadership, although often associated with size, is in reality a more complex concept and should instead be seen in terms of an organization's ability to determine the nature and bases of competition within the market

Market Challengers and Followers Firms with a slightly smaller market share can adopt one of two stances. They may choose to adopt an aggressive stance and attack other firms, including the market leader, in an attempt to gain share and perhaps dominance. (market challengers), or they may adopt a less aggressive stance in order to maintain the status quo (market followers).

Market Niches Virtually every industry has a series of small firms that survive, and indeed often prosper, by choosing to specialize in parts of the market that are too limited in size and potential to be of real interest to larger firms. A case in point would be car Company specializing in electric cars. By concentrating their efforts in this way, market nichers are able to build up specialist market knowledge and avoid expensive head-on fights with larger companies.

Fig 2.9 Types of Companies and their Strategies to Combat Competition

Note: The waste management sector in India has received major importance in the last 2 decades only. Earlier majority of the companies operating in this sector were only unorganized. The sector is majorly dominated by government bodies and only recently the demand for private participation and public-private partnerships has risen recently. There are many companies involved in the waste management value chain.

Table 2.1 Business Opportunities in Waste to Energy Sector

http//www.eai.in/ref/ae/wte/biz/biz_opp.html

Municipal Solid Waste to Energy Value Chain	Business Opportunities
Primary collection and segregation of inserts, dry organics and others.	Collection of reusable plastics and metals etc for sale in local market. Waste Processing and sell RDF pellets to biomass power plants. Mobilizing construction debris to make tiles and bricks
Separation of wet organic wastes	Production and sale compost to bio fertilizer firms. Biogas based power generation from sludge for selling it to the grid.
Secondary collection and storage	Maintenance of transfer stations High throughput screening of materials for recycling, energy recovery and land fill disposals.
Recycling of wastes	Recyclable commodity transactions from transfer stations Sale of recycled plastic or metal granules Conversion of processed wastes to industrial commodities
Transportation and logistics	Transporting solid waste from the source to the landfill or to the processing centres for energy recovery. Revenues from automobile manufacturing and sales to corporate bodies and contract holders etc
MSW to energy recovery	Production of machineries and equipments for energy recovery technologies Decentralized technology installations. Power generation and sale of power Production and sale of processed organic feed stocks from MSW Income from Certified Emission Reductions(CER's)
Management of wastes at dumpsite	Design and construction of secured landfills Urban landscape development at abandoned landfills
Organization/financing for service and value chain enterprises	Debt and equity financing

Companies that could Benefit from the Waste to Energy Sector

Companies in domains such as renewable energy (solar, wind, biomass etc.), Engineering, Procurement and Construction (EPC), transportation and logistics, sanitation and environment, small- and large-scale power plants, facilities management etc will be ideally suited for the waste to energy business. The table below outlines the type of companies that will be benefitted in each part of the waste to energy value chain.

Segregation of dry waste, re-usable, inerts etc	▪ Recycling companies ▪ Rag pickers ▪ Other informal sector participants
Segregation of wet wastes and processing	▪ Farmers ▪ Fertilizer companies, Agro-market enterprises ▪ Other informal sector participants
Transport and logistics	▪ EPCs ▪ Locomotive manufacturing companies (Heavy and Light) ▪ Private vehicle service stations, Transport agencies ▪ Part time workers under contract
Storage & secondary collection	▪ EPCs ▪ Construction companies ▪ MSW junk shop owners ▪ Logistic services
Recycling of wastes	▪ EPCs ▪ Material Recovery Facility (MRF) operators ▪ Intermediate material processing cottage units ▪ Environmental engineering companies ▪ Small and medium junk shop owners
MSW waste to energy recovery	▪ Technology providers and fabricators ▪ IPPs and CPPs ▪ Service technicians ▪ Producers and dealers of MSW derived RDF pellets.
Management of wastes at landfills	▪ EPCs ▪ Civil infrastructure developers

Model Questions

1. Why should firms understand competition?
2. What are the factors that affect competitive advantage for a product?
3. Do you think competition is different in rural and urban markets? Justify your viewpoint.
4. Distinguish between generic and product form competition.
5. Describe products which have fought tough competitors and continue to be successful in the market.
6. What is category attractiveness?
7. What factors are used to assess category attractiveness?
8. How does category attractiveness change during the PLC?
9. How can Porter’s five forces be used for determining category attractiveness?
10. Describe category capacity.
11. What is competitor analysis?
12. What steps can be taken to analyze competition?
13. What data is required to analyze competition?
14. How often and in what forms must data be collected to understand competitors’ moves?
15. Describe one method of analyzing competition
16. What is customer analysis?
17. What steps can be taken to analyze customer behavior?
18. What data is required to analyze customers?
19. What are the criteria for segmenting customers?

20. Describe how rural customer is different from urban customer in India from waste management perspective?
21. What information about competition is required?
22. What strategies can be developed based on Porters Competitive strategy?
23. How often should strategies of competitors have assessed?
24. Describe characteristics of leaders, challengers, followers and nichers?
25. Describe strategies of leaders, challengers, followers and nichers?

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Chapter 3 Product Strategy, Product Offering & Analysis

3.1 Developing Product Strategy and New Product Development

A product development strategy provides the framework to orient a company's development projects as well as its development process. There is no one right strategy for a company. The strategy takes into account the company's capabilities (strengths, weaknesses and core competencies), the competition's capabilities (strengths, weaknesses, core competencies and strategy), market needs and opportunities, goals, and financial resources.

A product strategy addresses the following questions

1. Where are we headed? Here the focus is on basic objectives such as growth versus profits
2. How will we get there? This is the core of product strategy; it addresses whether the company should focus on current or prospective customers. It is summarized as a targeting and positioning statement defining customer targets, competitive targets, and the proposition (offering) that will enable the firm to succeed in capturing targeted customers.
3. What will it do? This addresses specific programs or tactics to be employed in order to implement the core strategy. Basically, it entails describing the marketing mix (4Ps)

Structure

3.1 Developing Product Strategy and New Product Development

3.2 Designing the offer, Market and Sales potential

3.3 Pricing, Advertising and Promotion decisions

3.4 Concept and Product Testing

3.5 Financial Analysis for product management

A Successful Strategy

- Helps achieve coordination among functional areas of the organization.
- Defines how resources are to be allocated.
- Leads to a superior market position.

Elements of Product Strategy

1. Statement of the objective(s) the product should attain
2. Selection of strategic alternative(s)
3. Selection of customer targets

4. Choice of competitor targets
5. Statement of the core strategy
6. Description of supporting marketing mix.
7. Description of supporting functional programs

The first two elements (objectives and strategic alternatives) establish the general direction of the strategy. The next three elements (selection of customer targets, competitor targets and statement of core strategy) refer to the positioning of the product and how it has to be differentiated from competition in the mind of target customers. Finally, the supporting marketing mix and functional programs relate to the implementation of the strategy.

Setting Objectives

An organization has a variety of objectives, beginning from vision and mission to specific product objectives and tactics.

The hierarchy of objectives is depicted below

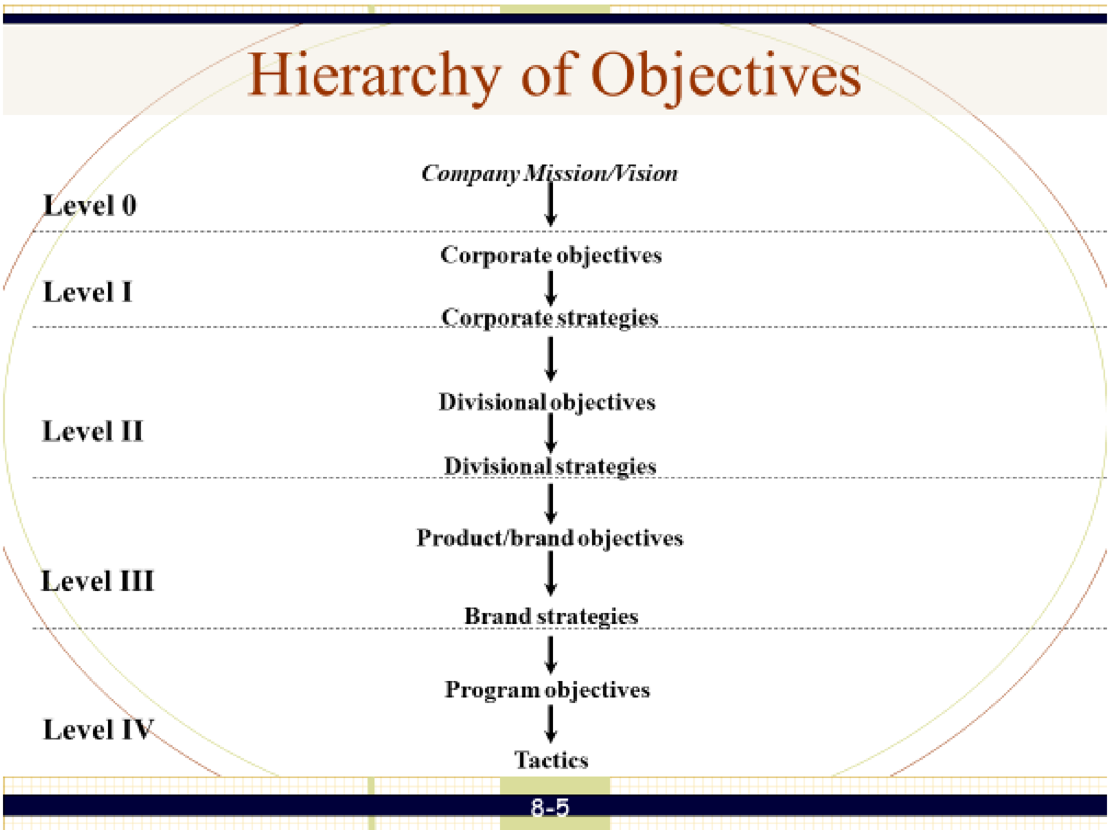


Fig 3.1 Hierarchy of Objectives

The role of marketing managers and product managers starts with divisional objectives level II to Level IV. Product managers have to make several decisions once the overall strategy is decided. The major decisions are on product hierarchy, product systems and mixes, product lines and line stretching.

Selection of Strategic Alternatives

The choice essentially is balancing between long term and short-term goals. If growth in sales or market share is an objective then either market development or market penetration strategy is adopted. If short term efficiency is to be improved then reducing costs, decreasing inputs, increasing price etc are options.

Fig 3.2 Strategic Alternatives

The Product Hierarchy

The product hierarchy stretches from basic needs to particular items that satisfy those needs. We can identify six levels of the product hierarchy, using life insurance as an example

1. Need family—The core need that underlies the existence of a product family. Example security.
2. Product family—All the product classes that can satisfy a core need with reasonable effectiveness. Example savings and income.
3. Product class—A group of products within the product family recognized as having a certain functional coherence, also known as a product category. Example financial instruments.
4. Product line—A group of products within a product class that are closely related because they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges. A product line may consist of different brands, or a single-family brand, or individual brand that has been line extended. Example life insurance.
5. Product type—A group of items within a product line that share one of several possible forms of the product. Example term life insurance.

6. Item (also called stock-keeping or product variant)—A distinct within a brand or product line distinguishable by size, price, appearance, or some other attribute. Example Prudential renewable term life insurance.

Product Systems and Mixes

A product system is a group of diverse but related items that function in a compatible manner. For example, the extensive iPod product system includes headphones and headsets, cables and docks, armbands, cases, power and car accessories, and speakers.

A product mix (also called a product assortment) is the set of all products and items a particular seller offers for sale. A product mix consists of various product lines. NEC's (Japan) product mix consists of communication products and computer products. A University can have separate academic deans oversee the schools of medicine, law, business, engineering, music, speech, journalism, and liberal arts among others. A company's product mix has a certain width, length, depth, and consistency.

The length of a product mix refers to the total number of items in the mix. We can also talk about the average length of a line. We obtain this by dividing the total length by the number of lines.The depth of a product mix refers to how many variants are offered of each product in the line. We can calculate the average depth of P&G's product mix by averaging the number of variants within the brand groups.

The consistency of the product mix describes how closely related the various product lines are in end use, production requirements, distribution channels, or some other way. P&G's product lines are consistent in that they are consumer goods that go through the same distribution channels. The lines are less consistent in the functions they perform for buyers. These four product mix dimensions permit the company to expand its business in four ways. It can add new product lines, thus widening its product mix. It can lengthen each product line. It can add more product variants to each product and deepen its product mix. Finally, a company can pursue more product line consistency.

Product Line Analysis

In offering a product line, companies normally develop a basic platform and modules that can be added to meet different customer requirements and lower production costs. Car manufacturers build cars around a basic platform. Homebuilders show a model home to which buyers can add additional features. Product line managers need to know the sales and profits of each item in their line to determine which items to build, maintain, harvest, or divest. They also need to understand each product line's market profile

Line Stretching occurs when a company lengthens its product line beyond its current range, whether down-market, up-market, or both ways. Down-Market Stretch A company positioned in the middle market may want to introduce a lower-priced line for any of three reasons 1. The company may notice strong growth opportunities as mass retailers such as Walmart, and others attract a growing number of shoppers who want value-priced goods. 2. The company may wish to tie up lower-end competitors who might otherwise try to move up-market. If the company has been attacked by a low-end competitor, it often decides to counterattack by entering the low end of the market. 3. The company may find that the middle market is stagnating or declining. A company faces a number of naming choices in deciding to move a brand down-market 1. Use the parent brand name on all its offerings. Sony has used its name on products in a variety of price tiers. 2. Introduce lower-priced offerings using a sub-brand name, such as P&G's Whisper Choice in India. 3. Introduce the lower-priced offerings under a different name, such as Marico launching Sweekar Sunflower oil brand (Saffola being the premium brand). This strategy is expensive to implement and means brand equity will have to be built from scratch, but the equity of the parent brand name is protected.

Up-Market Stretch Companies may wish to enter the high end of the market to achieve more growth, realize higher margins, or simply position themselves as full-line manufacturers. Many markets have spawned surprising upscale segments. The leading Japanese auto companies have each introduced an upscale automobile Toyota's Lexus, Nissan's Infiniti, and Honda's Acura. They invented entirely new names, because consumers might not have given the brand "permission" to stretch upward when those lines were first introduced.

Two-Way Stretch Companies serving the middle market might stretch their line in both directions. The HUL portfolio of brands has an entire range of products from lower end to higher end.

Box 3.1

3 R Management solutions

3R is pioneer in decentralized, compact, energy efficient and remotely monitored solutions. Leveraging the cumulative experience of more than 100 years in technology and environmental domain, the company blends skills in engineering, technology and operations with innovative business models, offering a range of smart environmental solutions for the development & upliftment of urban and rural infrastructure.

Product Mix of 3 R

1. Municipalities' waste solutions

- Services offered
- Smart waste collection of MSW
- Mechanized Road sweeping
- Transportation of MSW using hi-tech fleet and logistics
- Engineered Sanitary Landfills with MSW rules
- Waste Processing & Recovery (MSW, Bio Medical & Hazardous waste)
- Mechanized Refuse Transfer station
- Construction debris processing
- All kind of Municipal Solid Waste infrastructure supply & Set up

2. Bio Aqueous Waste Water Recovery

Based on MBBR (Moving Bed Biofilm Reactor) technology, bio Aqueous™ is a cutting-edge biological solution for wastewater treatment & recovery. An improvisation in all the aspects by the engineering, scientific & bio-technology team by 3R Management. This simple and robust biological treatment process is suitable for specific wastewater treatment processes – nitrogen reduction, high BOD/COD removal, including difficult industrial wastewater requirements.

The smaller footprint, less process and rotary equipment and simpler operation make it a more attractive option for the 20 year after care period. The Higher Biomass concentration allows for a higher effluent loading rate which impacts overall system footprint, which is at least 10 times less than the conventional Activated Sludge Process further providing a cost advantage

3. Smart Composting

GreenRE™ Organic Waste Re-processor decomposes organic waste including food and horticulture using BIRR™ technology. The BIRR™ – Bioremediation with Intermittent Rotating Reactor technology simulates natural and climatic conditions like temperature, humidity & biological activity required for efficient composting to assist in fast decomposition and maintain a healthy CN ratio.
The bioremediation is done through 3R Naturals' bio formulations.

GreenRE™can efficiently mix organic waste and convert the same into compost. This automated composting machine can be used on-site and is capable of reducing solid waste from food sources, marine products and agriculture sources into high quality compost in an eco-friendly manner. Provides the statistics of waste disposal where 11.7% is converted to energy, 34.7% is composted or recycled and 54.7% is landfilled.

Smart Bio CNG +

Bio CNG is the purified form of Biogas where all the unwanted gases are removed to produce >95% pure methane gas. Bio CNG is exactly similar to the commercially available natural gas in its composition and energy potential. Smart BioCNG+ is based on SCRM™ (Stage Controlled Reacting Microbes) is 3 times faster, twice as efficient as any other BioCNG system.

GreenRE™ (H) is a fully automatic, remotely monitored Green Waste Reprocess or (GWR™) based on CSMC principle, converts horticulture/green waste into high grade Biofuel or Compost.

The Biofuel produced in the process has high calorific value and very less ash content. The high-quality Compost provides very good nutrients and structure to the soil and holds moisture for prolonged time.

3RM is pioneer in Garden Waste Management and OEM of GWR™ machines.

** GWR™ is a trademark of 3R Management

Source: http://www.3rmanagement.in/

1452New Product Development

The dynamics of markets, technology, and competition have brought changes to virtually every market sector and have made new product development one of the most powerful business activities. The monumental changes that constantly impact commerce have forced companies to innovate with increasing speed, efficiency, and quality. In turn, this has made new product development one of the most complex and difficult business functions. However, firms must innovate in order to survive

Stages of New Product Development

1. Idea generation
   Pro-active Idea Generation Customer analysis, Competitor analysis, Active search, Category analysis and Brainstorming, Reactive idea sources Customers, Employees, Suppliers, Distribution channels, Operations people, Internal and External R&D, Design, Entrepreneurs.
2. Concept development is normally conducted using Surveys, Focus groups and Demonstrations
3. Feasibility screening to check feasibility of making and marketing the product along with financial costs and estimated revenues
4. Concept testing customer feedback, qualitative tests such as focus group discussions and demonstrations
5. Product development Actual process of manufacturing is perfected and pilot batch ready for testing
6. Product testing in pilot scenarios, laboratories
7. Market testing choosing specific representative markets to evaluate customer response to new product, typically done for 3-6 months.
8. Go-no-go decision If the results of all above steps is not extremely encouraging its possible to drop the new product from actual release in the market.

Evaluation Criteria for New Products

New products have to be assessed from customer and firm perspectives.

- Customer Level Do customers like it? Is it unique? Will they buy it? How soon/fast will they buy it?
- Firm Level
  - Does it add to our customer base through Acquisition? Expansion? Loyalty/retention? Enhanced brand equity?
  - Does it detract from our customer base through Cannibalization? Customer defections? Lowered brand equity?
  - Do we have the capabilities to develop it? Produce it? Distribute and sell it? Buy or partner to do?
  - Will it be profitable on a stand-alone basis? Long-run impact on produce line?
  - Are there other benefits associated with it like Learning/capacity enhancement? PR?
  - Are there other costs associated with it like Legal liability? PR?
  - Can we control the market in the long run?

3.2 Designing the Offer, Market and Sales Potential

Designing the Right Product Offering

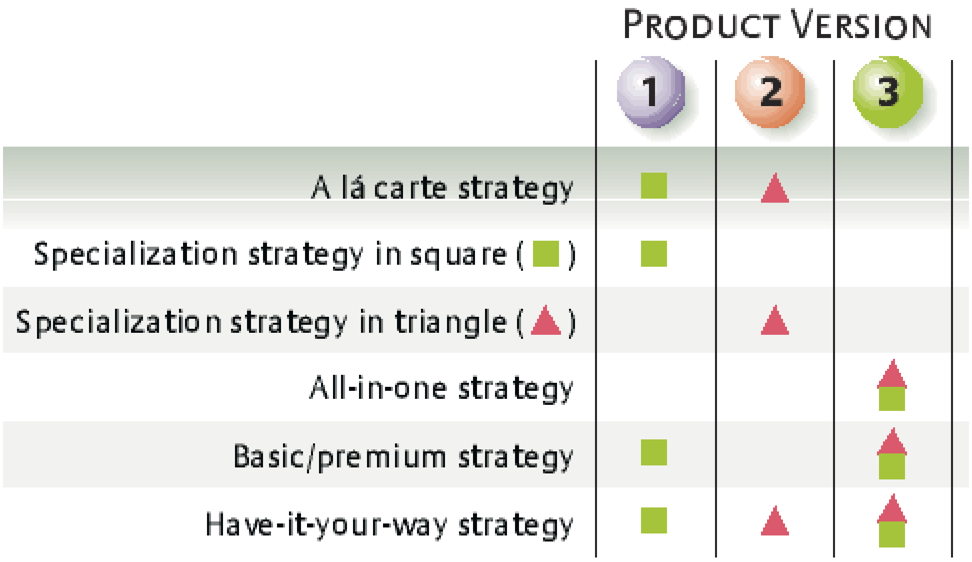
Businesses are constantly making decisions about which products and services will attract customers. In an era driven by the mantra of “give customers what they want,” some businesses feel compelled to offer many different versions of their products. Yet some companies continue to stick to a single version of their products, making alterations only when technology impacts what they can provide or when competition shifts.

An offering in marketing is the total offer to your customers. An offering is more than the product itself and includes elements that represent additional value to your customers, such as availability, convenient delivery, technical support or quality of service. A strong offering differentiates your products from competitors and creates value by meeting customers' wider needs better than other options.

A company offers a variety of product lines, each requiring a certain investment and promising a certain return on that investment. In this view of operations, top management's role is to determine the products (or businesses) that will comprise the portfolio and to allot funds to them on some rational basis.

Companies Use Different Strategies of Designing Product Offerings

Companies have the ability to fashion five distinct types of products from the three different products (square, triangle and square plus triangle) that can be built from the two components (the square and the triangle) (see diagram below).



A la Carte Offering

With a la carte, companies can treat different product features individually, allowing consumers to create the product version that suits their needs best. Sony Corp., for example, produces both televisions and DVDs. This allows consumers to bundle the two products on their own if they choose.

Specialization Offering

Companies use specialization when they realize economies from providing one basic product feature that customers want or that customers can combine with other features. For example, Few airline companies offer only business-class service and few offer only economy class service.

All-In-One Offering

The all-in-one product combines all the different product features, removing the customer's ability to order items separately. For example, newspaper publishers don't allow customers to buy the daily paper without the sports or classified sections.

Basic/Premium Offering

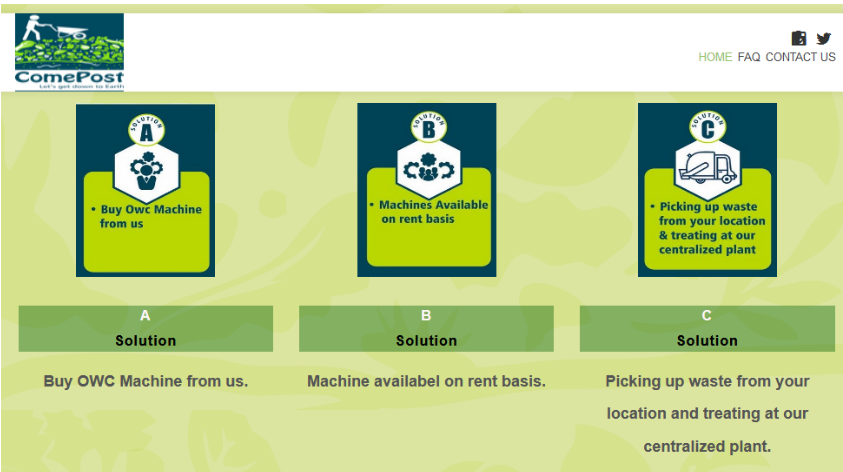
The basic/premium product strategy permits companies to offer both a basic product and a premium version that includes some additional features however, consumers can't "unbundle" the basic product to get the features they want. For example, cable customers generally can't get a specific channel without also receiving a basic cable package that includes standard channels.

"Have-It-Your-Way" Offering

These offerings are not mutually exclusive, and some companies offer an array of possibilities. Microsoft Corp., for example, sells the complete Office software suite, but it also lets customers buy the individual software programs separately and several versions of the Office suite with different features. Cable companies offer many different combinations of channels — from basic to super-premium — in addition to providing bundles that include high-speed Internet and voice over IP phone services.

Depending on the nature of the product, the number of alternative products increases exponentially with the number of features. For example, three distinct product features can be combined into 125 distinct products by varying the composition of the bundles offered to customers. Practically speaking, many product features can't be sold separately (for example, pockets for jeans) which reduces the number of combinations in practice. Nevertheless, in many real-world settings the number of offerings increases with the number of features available.

Box 3.2



The company Compost offers "ala Carte" offering with varied easy to avail options for its customers. http://comepost.in/

Market and Sales Potential

Estimating the market or market potential for a new business or business expansion is critical in determining the economic feasibility of a venture. Estimating the market potential will determine if the market is large enough to support your businesses.

Estimating the market potential for a business is critical in evaluating its viability and provides an estimate of the maximum total sales potential for a given market. Once the estimated market potential has been calculated, it is possible to determine if the market is large enough to sustain your proposed business or sustain an addition competitor in the marketplace. It is important to remember that the estimated market potential sets an upper boundary on the market size and can be expressed in either units and/or sales. Unless there are no direct or indirect competitors a business will capture a share of the total estimated market potential not all of it. The following provide the steps and data necessary to estimate the market potential.

Key Steps in Estimating Market Potential

The key steps in estimating market potential are

1. Define your target market and market segments
2. Define the geographic boundaries of your market
3. Derive an average selling price
4. Determine the average annual consumption.

Estimating the market potential for a business requires specific information on the number of people or potential buyers, an average selling price, and an estimate of consumption or usage for a specific period of time. Once this information has been collected, it can be plugged into the following formula to derive the estimated market potential.

Estimating Market Potential $MP = N \times P \times Q$

Where

MP = market potential

N = number of possible buyers

P = average selling price

Q = average annual consumption

However, the better the information that is being plugged into the formula, the better the estimate of the market potential.

One of the most important components of estimating the market potential for a business is to determine its target market. A target market can be thought of as the customers who are most likely to buy from you and generally are described using demographic variables (gender, age, education) as well as psychographic variables (life-style and belief system variables). In many cases, a business may have more than one target market. Think about the automobile industry, automobile manufactures have a number of target markets, i.e., truck buyers, luxury car buyers, economy buyers. Your business should be able to develop specific profiles for each of your target markets using demographic and psychographic variables.

The first method of describing your target market segments is using a set of demographics descriptors like the following

1. Age
2. Marital status
3. Household income
4. Gender
5. Race/Ethnicity
6. Family life cycle
7. Education
8. Religious affiliation

It is important to create a profile of your target market describing them with demographic variables like those listed above. Once you have created your demographic profile, you can determine how many people fit your profile using various demographic data sources.

The second profile is referred to as psychographic life-style and describes your target market. Customers are segmented by their activities (work and leisure), interests (family, animals, environment, home, and community), and opinions. The life-style profile is more important in predicting future patronage than the demographic profile because it will determine what type of experience they are seeking. Failure to meet these needs will result in loss of business. The following are a few psychological descriptors

1. Political affiliation
2. Socially conscious
3. Cutting-edge
4. Family-oriented
5. Conformist
6. Power-wielding
7. Trend follower
8. Thrill seeker
9. "Green"
10. Fun-loving
11. Fashion-forward
12. Sports enthusiast

Psychographic information is more difficult to obtain than demographic information. As a result, it is less frequently used when determining a target market profile.

Market Area

Geography is the simplest form of defining a market area. This method defines the market area by using landmarks or logistical barriers to define the market area. The following are easy-to-use geographical areas

1. Neighbourhoods
2. Zip codes
3. City or County Boundaries
4. Metropolitan Statistical Areas

5. State (multi state) Boarders
6. Nation
7. Continent
8. World

Once the market area and target market has been defined, it is possible to determine the number of potential customers for your business. This will allow you to estimate the N (number of potential customers) in the market potential equation. This total market potential will typically have to be adjusted downward to account for non-users.

It is required to determine how often your target market segment uses your product or service. This figure will have a significant impact on the estimated market potential. For instance, is the product purchased frequently, occasionally, or infrequently? Obviously more frequently the product is purchased larger is the market potential. Durable goods, products that can be used over a long period of time, are purchased less frequently than perishable items. As a result, the annual consumption of apples is greater than the annual consumption of television sets.

Sales Potential

There are many methods used for estimate the sales potentials and these are

1. Survey method
2. Expert opinion method
3. Market studied methods
4. Sales force opinion methods
5. Statistical methods

1. **Survey Method** The survey method is based on the opinion of buyers and consumers it is useful with respect to industrial products, but not as far as consumer goods are concerned. According to this method, a company first of all selects potentials buyers/consumers. It then collects their opinions for sales forecasting.
2. **Expert Opinion Method** According to this method, a company invites the opinions of executives and consultants who are acknowledged experts in studying sales trends. On the basis of their opinions, it forecasts future sales. This estimate is also made on the basis of past performance. However, the method suffers from the drawback of not taking into consideration changes in the future business environment.
3. **Market Studies Method** This method is commonly used by marketers for consumer goods. It is also known as the Market Test Method. According to this method, market experiments are conducted on changing consumer behaviour, prices, advertising expenditure, etc. This method lets the management know how the people might actually buy the product in question.
4. **Sales Force Opinion Method** This method estimates the buyer's intentions from experienced personnel in the sales force. They can easily forecast for their respective territories. Territory wise forecasts are consolidated at the branch level, and the branch level forecasts are consolidated at the corporate level. This method can be used only when the firm has competent high-calibre sales personnel.

5. **Statistical Methods** Statistical methods are considered to be superior techniques of estimate sales forecasting, because their reliability is higher than that of other techniques. Statistical methods divided into four different categories and these are
    a. Trend method
    b. Graphical method
    c. Time-series method
    d. Regression method

Trend Method This method provides a rough trend of the forecast on the basis of past experience. It does not, however, take into account the changing environment. It is a simple method for business forecasting on the basis of past performance.

Graphical Method According to this method, sales data are plotted on graph paper and a graph is drawn for a number of years.

Time Series Method This method is used for long periods duly taking into account cyclical changes, seasonal variation and irregular fluctuation. "A time series may be defined as a collection of magnitudes belonging to different time periods, of some variable or composite variables, such as production of steel, per capita income, gross national product, price of tobacco, or index of industrial production."

Regression Analysis This is a branch of statistical theory, is popularly used on the principles of sciences. It helps determine the relationship among various variables. "Regression analysis attempts in establishing the 'Nature of the relationship' between variables that is to study the functional relationship between the variables and thereby provide a mechanism for prediction, or forecasting."

3.3 Pricing, Advertising and Promotion Decisions

Pricing

Pricing is an observable component of the product that results in consumers purchasing or not purchasing it and at the same time it directly affects the margin per sold. Price is the marketing mix variable that most often breaks or makes the transaction.

The key to setting price and understanding why customers react to pricing is perceived value. Perceived value is the worth or merits a customer ascribes to a product or service. Usually, customers are unaware of the factors involved in pricing a product or service, such as the actual or estimated costs of production. Customers rely on the emotional or functional appeal of the product or service and their evaluation of the benefits they believe they will receive.

There are three possible relationships between perceived value, price and variable cost

1. Perceived value > price > variable cost
   This strategy is called "leaving money on the table" as customer perceives the price to be lesser than perceived value and sacrifices the profits (either knowingly or unknowingly) which the organization could have otherwise realised.
2. Price > perceived value > variable cost
   Customers think this strategy is "bad deal" as the value is not matching the high price. This strategy affects the sales of the product and organizations might have to reduce price or offer other incentives for creating demand.
3. Price > variable cost > perceived value

This is a failure scenario where customer perceives value and variable costs to be lesser than price.

Methods for Estimating Customer Value

1. Industrial engineering methods laboratory tests, indirect survey questions to customers,
2. Overall estimates of customer value Field Value-in-use assessments using customer interviews, focus group assessments, willingness-to-pay direct questions
3. Decomposition approaches Conjoint analysis -a method for estimating customer trade-offs of product attributes.

   Benchmarks customer indication of willingness to pay for incremental attributes that can be compared to an example in the product category
4. Compositional approach direct customer questions about value of product attributes
5. Importance ratings customer rank ordering or rating of attributes as well as comparisons

Pricing Objectives

- **Penetration Pricing** When the objective is to gain market share very quickly then companies can choose this option.
- **Example** As an introduction Pricing strategy Reliance Jio services were provided free for six months in India, this helped the company to quickly gain market share. The prices of Jio services are among the lowest among competitors even after six months. This ensured that the market share growth momentum is maintained.
- **Return on Sales/Investment Pricing** This objective is primarily based on the investors/ senior managements' expectations of returns on their investment, not a very useful strategy on the long run.
- **Pricing for Stability** Many industrial products companies adopt this strategy for forward contracts on raw materials, customers are willing to pay higher stable rate rather than pay for highly fluctuating prices.
- **Skimming** This is also called prestige pricing, it is the opposite of penetration pricing. If there is strong price-perceived quality relationship, this strategy works well. Luxury goods follow this type of strategy.
- **Competitive Pricing** As the name indicates prices are set against an industry benchmark or specific competitor. Many FMCG products adopt this strategy, for example all brands of soft drink Colas in India are priced same.

Other Factors Affecting Price, Apart from Objectives

- Stage of the product life cycle
- Category conditions
- Threat of new entrants
- Power of buyers/sellers
- Rivalry
- Pressure from substitutes
- Unused capacity

Specific Pricing Tactics

- Product line pricing similar price range for products of one product line

- Price bundling set of products offered in combination. For Example. Home stereo systems were offered with CD players and DVD players.
- Complementary pricing Combinations of products normally used together, an example can be Razors with blades, Shampoo with conditioner
- Value pricing based on customer expectations, tries to provide more than what the customer expects for the price paid. Generally backed up with good communications strategy to indicate a reasonably high quality. McDonalds In India offer Rs.20 Value Meals.
- Everyday low pricing A simple approach where prices are lowered permanently and significantly to reduce both trade and consumer promotion expenditure. Globally Wal-Mart has been able to successfully use this strategy.

Advertising

The communications mix is usually referred as integrated marketing communications of which advertising is also a component.

Fig 3.3 The Communications Mix

The Communications mix comprises advertising (paid campaigns), Public Relations (unpaid campaigns), Sales Promotions (short term campaigns to boost sales), direct marketing (by eliminating middlemen) and packaging (often called silent salesperson).

Consumer companies spend heavily on advertising on different mediums such as TV, Radio, Newspapers, Magazines, out of home media, hoardings, and now digital platforms such as social media, search engine marketing, etc. Business to business companies rely more on public relations, and direct marketing along with personal selling.

The Adverting Planning Process

Stage	Primary Players	End Product
Developing the marketing plan and budget	Product manager	Budget Spending guidelines Profit projections
Planning the advertising	Product manager Advertising manager Ad agency Corporate advertising department	Identification of target market Allocation of spending Statement of advertising strategy and message
Copy development and approval	Ad agency Copy research company Product manager Advertising manager Senior management	Finished copy Media plan (with reach and frequency projections)
Execution	Ad agency or media buying company	Actual placement
Monitoring response	Market research manager Product manager Ad agency (research)	Awareness, recognition, and perception tracking Perceptual maps Sales/share tracking

Majority of the advertising tasks are performed by the product managers in consultation with other teams in marketing.

Methods for Setting Advertising Budgets

- **Objective and Task** Based on whether the advertising is for increasing sales, improving retention or aiding recall.
- **Percentage-of-Sales** Many companies earmark a specific percentage of total sales as advertising budget, this is simple and easy to do. Most companies would try to benchmark their budgets based on industry leaders or competition.
- **Competitive Parity** This approach considers share of adverting money spent (also known as share of voice) rather than absolute rupees to determine sales per share point and set budgets accordingly. Companies try to compare Share of Voice to actual market share or desired market share.
- **Affordable** This views advertising as a cost of doing business. It selects a budget which is most feasible considering all other expenditures.
- **Experimentation** Managers try to vary expenditures on advertising and record changes in sales like a trial and error approach.
- **Decision Calculus** Companies can choose computer-based decision-making systems to fix budgets

Advertising Copy

The adverting copy is the heart of adverting. It is the message conveyed through any medium. The copy should cover the specific objective of advertising in a creative and engaging manner.

There are different ways of evaluating advertising copy

	Advertising-related test (reception or response to the message itself and its contents)	**Product-related test** (impact of message on product awareness, liking, intention to buy, or use)
Laboratory measures (respondent aware of testing and measurement process)	**Cell I** Pretesting procedures 1. Consumer jury 2. Portfolio test 3. Readability tests 4. Physiological measures Eye camera GSR/EDR	**Cell II** Pretesting procedures 1. Theater tests 2. Trailer tests 3. Laboratory stores
Real-world measures (respondent unaware of testing and measurement process)	**Cell III** Pretesting procedures 1. Dummy advertising vehicles 2. Inquiry tests 3. On-the-air tests Posttesting procedures 1. Recognition tests 2. Recall tests 3. Association measures 4. Combination measures	**Cell IV** Pretesting and posttesting procedures 1. Pre- and posttests 2. Sales tests 3. Minimarket tests

Promotions

Sales Promotion (often called simply promotions) are collection of devises/activities aimed at generating active customer response within a short period of time. These activities can be aimed at channel partners (distributors, retailers, e-commerce partners etc, also called trade promotions) or at end customers. Many times channel partners also initiate promotions on their own supplementing manufactures promotions.

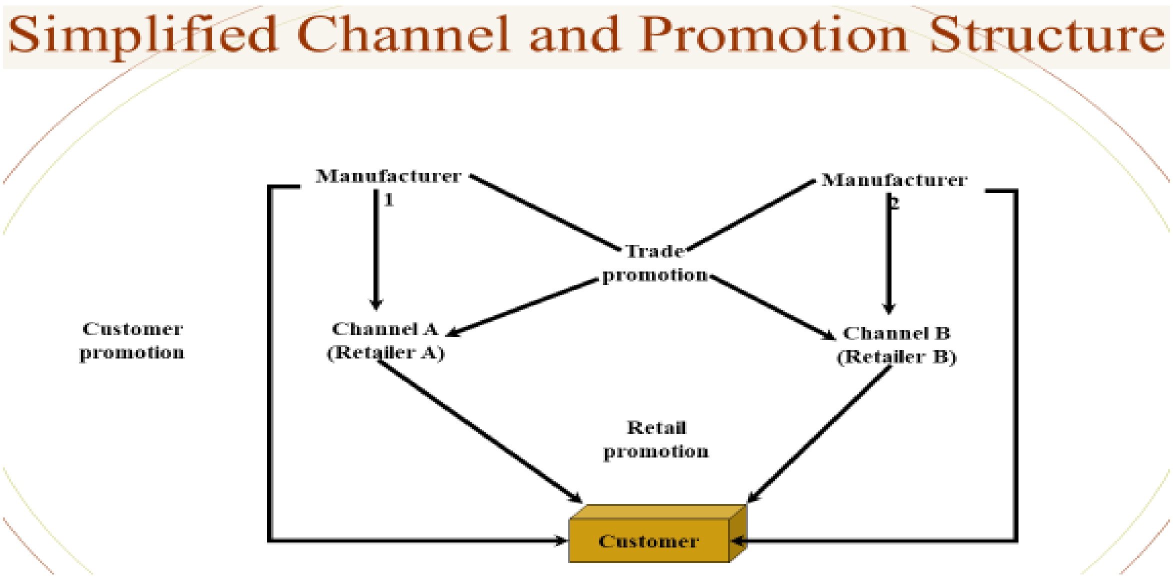


Fig 3.4 Simplified Channel and Promotion Structure

Table 3.1 Different types of promotions

Objective	Typical Programming
I. Long-run (relationship building)	Sweepstakes, contests, tie-ins
A. Awareness enhancement	Sponsorships
B. Image enhancement	Volume discounts/special "value" packages
II. Short-run (transactional)	"In pack" coupons, premiums, frequent buyer programs
A. Current customers	Rebates, coupons
1. Buy more	Coupons, displays, rebates
2. Be more loyal	Trial sizes, sampling
3. Buy now	
B. Occasional customer (deal prone brand switchers)	
Capture next purchase	
C. Noncustomers	
Trial	

The above diagram shows the different types of promotions engaged in by manufacturers and channel partners.

Final Customer Promotions

The objectives of final customer promotions are varied as shown below. The objectives range from generating trial, to boost sales in short run, for the long-term objectives could be to generate awareness, improve brand image and create loyal customers.

Trade Promotions

Objectives for trade promotions could be to get the trade to buy the stocks, to get trade to increase the quantity stocked, or to build long term relationships.

Objective	Typical Programming
Transactional increase	Volume allowances
Stocking levels	Financing terms
Transactional increase	Discount/price cuts
Sales efforts	Slotting allowances
Relationship building	Advertising allowances
	Display allowances
	Premiums
	Contests
	Sales force incentives (not all dealers allow this)
	Free goods

Factors Affecting Advertising and Promotion Budget

1. The product is relatively standardized (as opposed to when the product is produced or supplied to order).
2. There are many end users.
3. The typical purchase amount is small.
4. Sales are made through channel intermediaries rather than directly to end users.
5. The product is premium priced.
6. The product has a high contribution margin.
7. The product or service has a small market share.

Types of Final Customer Promotions

1. Product-Based Promotions
    A. Additional volume/bonus pack
    B. Samples
        1. Central location at Malls, big stores
        2. Direct (e.g., mail)
        3. Attachment (in/on-pack coupons)
        4. Media placed (clip-and-save coupons)
2. Price-based Promotions
    A. Sale Price discounts/offs
    B. Coupons
        1. Central location (e.g., in-store)
        2. Direct (mail)
        3. Attachment (in/on-pack)
        4. In media (e.g., website)
    C. Refunds/rebates
    D. Financing terms
    E. Frequent users
3. Premiums
4. Place-based promotions specific locations
5. Games

Box 3.3 a

International Finance Corporation (a member of the World Bank Group) and Karo Sambhav, a tech-enabled Producer Responsibility Organization (PRO) launched a consumer awareness campaign ‘E-waste Hum Le Jayenge’.

The campaign is to create awareness about consumers of electronic and electrical devices about the right ways to dispose e-waste. They are also told about the environmental and health hazards of irresponsible e-waste recycling.

During the build-up to the campaign, it was observed that not only was awareness of e-waste management low but also it was fascinating to discover that people had an unsullied mindset, where they didn’t realize they were doing anything wrong by not disposing e-waste responsibly.

The campaign has been designed by J. Walter Thompson and aims to create top-of-the-mind recall by building relevance for the Indian consumers, while providing a clear call-to-action to dispose e-waste responsibly through e-waste collection channels set up by Karo Sambhav.

The campaign will engage with individual consumers, bulk consumers (universities, corporate, etc.) and policy makers so that all stakeholders in the ecosystem can collectively address the e-waste crisis. The campaign will be initially promoted in Delhi, Chandigarh, Bengaluru and Chennai and will be adapted in four languages (Hindi, English, Kannada and Tamil) during the outreach.

https://www.exchange4media.com/media-others-news/e-waste-hum-le-jayenge-a-campaign-to-address-indias-e-waste-crisis-launched-93801.html, published Jan 6, 2019

The estimation of market and sales potential is critical to determine the success or failure prediction accuracy for any organization. This has described the methods to conduct both.

3.4 Concept and Product Testing

Concept testing is a research tool used to assess the market viability of a new product idea prior to incurring the development expense of actually fabricating a product. There are many companies which have launched successful products without conducting market research and based on intuition. Steve Jobs (Former CEO of Apple Inc) has mentioned in his autobiography by Walter Issacs on (published in 2011) stated that He avoided consumer testing and trusted his intuition especially for radical innovations, he believed that customers would not be able to fathom the complete concept as they had no previous experience of the radically innovation. Apple has been hugely successful in creating new products such as iPods, iPhone, iPads etc. Not all managers rely on their vision and intuition as it is practically not possible to convince investors and shareholders of the process of developing new or modify existing products without due process of market research.

Concept testing provides valuable feedback which will help managers decide on several aspects of the new product development process.

The goal of concept and product testing is to determine which concepts and products can generate enough interest among consumers to merit further development and which do not deserve any more of the company's development and marketing efforts. In other words, testing keeps development resources focused on the highest potential opportunities.

Objectives of Concept testing

- To develop the original idea further
- To estimate the concept's market potential
- To eliminate poor concept(s)
- To identify the value of concept features
- To help identify the highest potential customer segment(s)
- To generate an estimate of sales or trial rate
- To provide diagnostic information

Process of Concept Testing

Consumers are provided with a stimulus (the concept) and measures of reaction and response are recorded which the researcher believes are predictive of the behavioral response, such as eventual purchase.

Concepts can be Placed in Front of Consumers in Different Ways

As a statement of fact, as a statement with persuasive language, as a mock advertisement, with or without visual descriptions, sometimes videos and pictures, sketch drawings, 3 D graphics etc are also shown to enable consumers to understand the concept.

Example of a Concept Template

1. Core Concept normally has a simple statement describing the concept and in case a preliminary name is available it is used or some code word is used.
2. Benefits The complete attributes and benefits of the product, its sensory description, look and feel etc is mentioned. There can be a factual presentation or one with persuasive style presentation. Or both.
3. Product information Full details about physical appearance, price, sizes, and other product related information is given.
4. Target users description of target customers, personality based segmentation etc is detailed
5. The best type of collecting data is face to face discussions, however, online methods (email, mobile apps, websites), telephonic surveys are also used.

Customer response is recorded using a questionnaire generally with Likert scale-based measurements.

Product Testing

Product testing aims at gathering customer feedback about the product features and its performance. It can also provide valuable insights regarding pricing level, best features to include, clues for designing marketing messages (at a later stage), comparisons with existing products, improvements over existing products etc.

Product testing will involve choosing a sample of customers and some risks associated are wrong sample selection, sampling bias, insufficient sample size, measurement errors, errors in administration of sample etc.

Other types of errors could be

1. Testing the wrong product testing only physical product and not the value proposition, brand name etc.
2. Comparing wrong control product testing against a weak competitor or wrong benchmark
3. Asking the wrong person incorrect sampling
4. Testing in wrong environment sometimes products are tested in urban markets and directly sold in rural markets, while this may be successful for many products, it may not be suitable for certain categories like transportation vehicles.
5. Testing the wrong price too low or too high prices

Two Types of Product Testing

Alpha test is a method where in the employees of the organization are asked to test the product. It was reported that when Reliance Jio was launched in 2017, it was alpha tested by its own employees.

A beta test is to analyses the product usage in natural surroundings of a customer's home or office or where ever the product will be used in real life. Many times, companies may do beta testing in "incognito" mode where the user may not be aware of which company's product is being tested.

It is an accurate method of assessing how the product will perform after launch .and the level of interest displayed by users during the usage, their affinity for future purchase can be known. Entire information can be recorded and forms a good resource for future use..

Market Testing Soft-Launching a Product

Market testing is an evaluation saved used for those products whose performance would be difficult to predict or those products that have received inconsistent feedback. Like product testing, test marketing is used to identify potential problems with a product that exists outside of the development process, but in a real-life buying and usage situation. So unlike product testing, market testing occurs in the market (hence the name market testing). Additionally, a large distinction should be made market testing does not involve communication with consumers like product testing does. Market testing is meant to

- Understand actual consumer demand and appeal of a product—particularly on-shelf next to competitor products and under influence of external market factors
- Improve the success of a full product launch and mitigate the risk of a failed one

Market testing can be a complicated process of determining where, when, and how long to have a product in the market. While product testing gathers information on how to improve the product and can help you understand the relative satisfaction, test marketing provides metrics on the actual in-market performance of the product. Further, most market testing is primarily meant to provide feedback on how to improve the marketing strategy, not just the product. By using product and market testing together, a strong product and go-to-market strategy are likely to result.

Box 3.4

Polyocracy Technology and CFL Crusher by Infosys

Certain categories of waste are challenging to manage due to lack of adequate treatment facilities and inappropriate disposal methods. Treating unsegregated solid waste and ensuring hazardous waste like CFLs and tube lights is being disposed in an environment friendly way, stand as a major challenge for most corporates. Infosys focuses to minimize environment impacts and derive value out of waste, through innovative technologies to find solutions for mixed waste, hazardous waste, recyclable plastic waste, etc. CFLs contain around 3.5–6 mg of mercury per lamp. Mercury exposure has ill effects on human health, adversely affecting the central nervous system, lungs, kidneys, skin and reproductive system. Hence, it was a challenge for Infosys to dispose CFLs and tube lights in a safe and healthy manner and mitigate related carbon emissions. To counter this, the CFL crusher systems were installed in Bangalore campus, the first potable crusher in this sector. In order to extract maximum value from waste Infosys identified significant opportunity in treating municipal solid waste using Polycrack Technology. This technology produces valuable by products that can be used as alternative sources of fuels for industrial and other purposes.

Polycrack technology: Reduces waste going to landfills, minimizes emissions from waste, Produces reusable products from waste- oil, gas and char, Oil can be used in furnace burners and boilers, Further refinement of oil to separate kerosene, petrol, and diesel, Gas can be used as fuel, Char can be used as soil condition

Polycrack technology converts municipal solid waste into products like gas, char and oil that can be reused for varied purposes. This technology differs from other pyrolysis technologies in multiple unique ways. For example, it has the ability to process both segregated and unsegregated municipal solid waste and process composite non-recyclable materials such as biscuit, chips wrappers, etc. It also makes the separation of metal from input feed convenient as the operating temperature does not exceed 400 °C. Waste is converted into valuable products which can be further utilized for fueling vehicles, heating, in boilers, etc., adding value to waste. FL crushers separate hazardous mercury from CFLs and tube lights which have inherent adverse effects if not disposed cautiously. They are often damaged during transportation and their breakage leads to the release of mercury vapor into the atmosphere, which is highly toxic and may prove to cause severe health and environment damages. The CFL crusher is a portable equipment which can be installed in decentralized facilities, thus reducing the risk of release of mercury during transport. This technology has the ability to erode the ill-effects caused due to mercury contamination and in turn reduce the greenhouse gas emissions (GHG) emissions. This is one of the first portable crusher installed in this sector.

Box 3.4 a

The char produced can be used as a soil conditioner or can be activated further to form activated carbon. The by-product oil can be used as furnace oil or in boilers and can also be refined further to separate fractions of petrol, kerosene and diesel. Gas also has a hydrocarbon composition and can be used as a fuel. In larger units, this can be used back in the system for heating purposes.

CFL crusher is used to separate hazardous materials that are present mainly in the form of mercury in CFLs and tube lights. Mercury has a low vapour pressure of 2 x 10–3 mm (at 25 °C) and readily vapourizes at room temperature. Mercury emissions in liquid and vapour can cause serious environmental and health hazards. Mercury toxicity is known to cause several disorders related to nervous system, respiratory tract, skin and eyes. The CFL crusher consists of a motor fitted with chains mounted on a GI (Galvanized Iron) drum. When the equipment is turned on, the motor rotates at high speeds and creates a vacuum. Inlets for feeding tube lights and CFLs are separate. The tube lights and CFLs are crushed by the rotating chains and hazardous mercury vapour that is released is sucked under vacuum into a bag filter, then into a HEPA filter, and lastly by an activated carbon filter. In the first stage, about 99 per cent of the dust and larger particles from air are removed. In the second stage, the remaining small particles are filtered out and then the mercury vapours are adsorbed by the activated carbon. The crushed materials such as glass, plastic and metal are collected in the drum which can be treated and recycled separately. The mercury that is adsorbed on the filters can be recovered and recycled. Thus, this system ensures complete recycling of the hazardous components in the CFLs and tube lights.

Treating waste by Polycrack technology generates valuable by-products that can be reused for other purposes adding value to waste. Adverse health and environment impact due to mercury exposure from CFLs and tube lights are being eliminated with the help of the CFL crusher technology

CFL Crusher Polycrack

http://cbs.teriin.org/pdf/Waste_Management_Handbook.pdf

3.5 Financial Analysis for Product Management

Product managers have to be knowledgeable about financial fundamentals as they perform the roles of CEOs to their product portfolio. Product managers have to understand what impacts the profitability of their products, whether or not the short-term objective in the marketing plan is oriented towards market share or profits.

Sales Analysis

Sales analysis is defined as the process of gathering, compiling, classifying and analyzing the sales of all products /product variants for a given time period.

It is a critical area for product managers, sales analysis is to understand which product line/lines is generating profits and which ones are making losses.

The components of sales analysis are depicted in diagram below how sales are defined, units of sales recorded, categories or classification of sales data and appropriate standards to be compared. For example, a Dairy company may choose to measure milk sales in liters, whereas ghee and curd is measured in kgs.

There are some road blocks in understanding sales analysis as there could be that information systems are not designed with product management in mind, Finance, accounting manufacturing, operations and Human Resources personnel all have a role to play in designing information systems.
The mindsets of different department personnel may vary and may complicate matters. There is a lack of internal marketing to ensure that all department managers are agreeing on core principles of strategy, growth etc.

Approaches to Product Profitability
Full costing approach all costs associated with a product or services including corporate overhead are subtracted from revenues. This is the most popular method of product profitability accounting. The strength of the method is it guarantees that all the costs of the corporation are covered by the products. In other words, the corporation is profitable by ensuring that all products are profitable.

Product: NewCall
Income Statement, December 31, 2005
(000's)

Revenues (2M units @ $5)		$10,000
Less: Direct labor		2,500
Direct supervision/clerical		500
Social Security		255
Materials		5
Operations overhead (plant, etc.)		840
Expenses from operations		4,100
Operating or gross margin		5,900
Less: Advertising	$ 700	
Promotion	200	
Field sales	1,700	
Product management	25	
Marketing management	250	
Product development	150	
Marketing research	175	
Customer service	1,500	
Testing	300	
General and administrative	1,000	
Total expenses		6,000
Operating profit		(100)

Here the top line indicated 2 million units of service were sold during the fiscal year at $5 each for total revenues of $ 10 Million. Subtracted from this revenue figure are expenses related directly to operations such as labor, materials and certain kinds of operations overhead. This gives the gross or operating margin of $ 5.9 million. Finally, all other expenses are subtracted giving a total profit (loss) of ($ 100,000).

Contribution Oriented Systems

Contribution margin is the amount of money left over after accounting for variable costs that goes toward covering fixed costs.

Classification of Costs

		Components	
Category	**Total Cost**	**Variable**	**Fixed**
Operating expenses ($000)			
Direct labor	$ 2,500	2,500	
Direct supervision	500	500	
Social Security	255	255	
Materials	5	5	
Operations overhead	840	200	640
Subtotal:	$ 4,100	3,460	640
Nonoperating expenses ($000)			
Advertising	$ 700		700
Promotion	200		200
Field sales	1,700	200	1,500
Product management	25		25
Marketing management	250		250
Marketing research	175		175
Customer service	1,500	240	1,260
Testing	300		300
General and administrative	1,000		1,000
Subtotal:	$ 6,000	$ 440	$5,560
Total	$10,100	3,900	6,200

The above figure categorizes different kinds of costs. Variable costs are those that vary directly with total volume of sales or production. Such costs normally include materials and direct labor but they also include supplies such as packaging. We assume the variable cost per remains constant as volume changes. Fixed costs in general does not vary with production or sales volume. Fixed costs tend to be items such as advertising, customer service, etc.

Classifying Costs

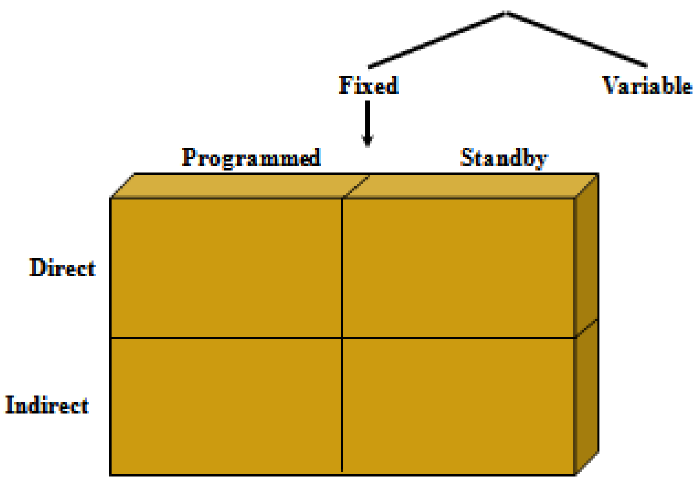


Fig 3.6 Classifying Costs: Fixed Versus Variable

Examining the operating expenses first, direct labor, social security and materials are variable as they depend on sale volume. Utility bills can vary with production volume, and hence variable, whereas depreciation of plant and equipment is fixed. Much of the non-operating expense is fixed for field sales which have some commission (fixed percentage of sales) and customer service (on-site service expense is a percentage of the number of units sold).

Table 3.3 Contribution Margin Statement

Product: NewCall
Income Statement, December 31, 2005
(000's)

Revenues (2M units @ $5)		$10,000
Variable costs		
Direct labor	$2,500	
Direct supervision/clerical	500	
Social Security	255	
Sales force commission	200	
Customer service	240	
Materials	5	
Operations overhead (plant, etc.)	200	
Total variable costs		3,900
Contribution margin (61%)		6,100
Fixed costs		
Operations overhead	640	
Advertising	700	
Promotion	200	
Field sales	1,500	
Product management	25	
Marketing management	250	
Product development	150	
Marketing research	175	
Customer service	1,260	
Testing	300	
General and administrative	1,000	
Total fixed costs		6,200
Operating profit (loss)		(100)

The contribution margin statement below shows that the revenues remain same at $ 10 million. However, we subtract the variable costs of $ 3.9 Million, leaving $ 6.1 million in contribution margin. This is the amount left after direct costs of making the product or delivering the service that will go toward covering fixed costs. Contribution margin rate is the contribution margin divided by the total sales revenue ($ 6.1 Million divided by $ 10 Million or 61 %).

Using the Contribution margin rate

- Breakeven in units=Fixed costs/variable margin per unit
- Breakeven in dollars=Fixed costs/variable margin rate
- Safety factor (amount over or under the break-even volume currently being sold)
- Safety factor= (Current sales volume-break-even volume)/ current volume.

Here, the break-even volume in units is the fixed cost figure of $6.2 million dived by $ 3.05or 2032787 units. The break-even volume in dollars is $ 6.2 million divided by 61% or $ 10163934. The company New Call is operating below its break-even level. The safety factor is negative 21.6%.

Model Questions

1. What is product line, depth and width?
2. Distinguish between focus on short term versus long term in planning product strategy?
3. Define Product line analysis.
4. What is the process of developing a new product?
5. Describe line stretching
6. Market potential is the techniques to know the exact capability of market. Explain how we estimate market potential.
7. What are the problems involved in using the sales force to forecast sale? How can these be minimized?
8. Distinguish between market Potential and Sales Potential.
9. What are the different ways of measuring market potential?
10. Describe different techniques of estimating sales potential.
11. What are the components of communications mix?
12. What is advertising? And how is it different from public relations?
13. What is perceived value? How is it connected to price of a product?
14. What are the different pricing tactics?
15. What are final customer promotion strategies and trade promotion strategies.
16. What are the risks of product testing?
17. What is a concept? And how is it tested?
18. What is the difference between product testing and market testing?
19. What are the different pricing tactics?
20. What are final customer promotion strategies and trade promotion strategies.
21. What is full costing method?
22. What are the differences between fixed and variable costs?
23. What are the challenges for product managers in understanding accounting profits?
24. What is Contribution margin method?
25. What are the differences between full costing approach and contribution margin approach?

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Chapter 4 Brands, Branding & Brand Equity

4.1 Introduction to Brands and Branding, Types of Brands

During the initial phases of marketing brands and branding techniques were used as a means of identifying and distinguishing the products of one manufacture from another. The origin of the brand is from a German word “burn” which means “to imprint or mark with hot iron” and used for identifying cattle of different cattle farms.

The discipline of brand management was started at Procter & Gamble PLC as a result of a famous memo by Neil H. McElroy, Chief Marketing Officer, P&G PLC. P& G was the first company to create specialized personnel titled as “Brand Manager”. Neil H. McElroy issued a simple and concise description of what he called “Brand Men” and their absolute responsibility for a brand from tracking sales to managing the product, advertising and promotions. Uniquely he outlined that the way to do this was through thorough field testing and client interaction.

Today a brand signifies different things to different people, to customers brands signify risk reduction, trust, quality, reputation, image, and many more qualities. Customers interpret the brand through every interaction from culture to communications.

To marketers’ brands enable products to establish their core values through powerful branding strategies, to give confidence to investors and shareholders about the capability of the company to create successful products. Brands provide the company an opportunity to charge premium for excellent products. Brands living business assets. Brands Need constant nurturing to keep pace in a rapidly changing world.

Brands exist as a web of associations that consumers have learned and connected to the brand in their memories. This web of associations is called “Brand Knowledge”. Building a brand refers to establishing and maintaining brand knowledge in the minds of consumers. Brand management is actually meaning management.

Definition

The American Marketing Association defines Brand as “A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.” There are three aspects of this definition. Firstly, it focuses on ‘What’, of the brand. Secondly, it emphasises on what the brand ‘does. A brand can be any combination of name, symbol, logo or trade mark. Brands do not have fixed lifetimes. Under the trade mark law, the users are granted exclusive rights to use brand names in perpetuity.

Structure

4.1 Introduction to Brands and Branding, Types of brands

4.2 Designing a brand, brand identity using Kapferer's Identity Prism

4.3 Customer Based Brand Equity Model, Strategic Brand Wheel and Maps

4.4 Brand mantra and Brand Positioning

4.5 Measuring Brand Equity

Brand Name

A good brand name is

1. Be protected (or at least protectable) under trademark law
2. Be easy to pronounce
3. Be easy to remember
4. Be easy to recognize
5. Be easy to translate into all languages in the markets where the brand will be used
6. Attract attention
7. Suggest product benefits (e.g., easy-off) or suggest usage (note the trade off with strong
8. Trademark protection)
9. Suggest the company or product image
10. Distinguish the product's positioning relative to the competition
11. Be super attractive
12. Stand out among a group of other brands like that one compared to the others.

Essentially, a brand is a promise of the seller to deliver a specific set of benefits or attributes or services to the buyer. Each brand represents a level of quality. Irrespective of the fact from whom the brand is purchased, this level of quality can be expected of the brand. A brand is much more complex. Apart from attributes and benefits, it also reflects values.

Evolution of Branding

Classical brand management developed in the retail grocery stores. Manufacturer-retailer relationship underwent transformation in the wake of the Industrial Revolution. Wholesalers were a dominant force then. Manufacturers sold unbranded products to the wholesalers and had little contact with the retailers. But technological advances enabled manufacturer to mass produce goods in anticipation of demand. They questioned their reliance on wholesalers. They tried to protect their investment by branding their products, and by patenting them. They tried to bypass the wholesalers by advertising these brands directly to the consumers. Advertising then focused on creating awareness of a brand, emphasising its reliability, and guaranteeing that branded goods were of a consistent quality.

Manufacturers also began to appoint their own salesmen to deal directly with the retailers. All this happened by the second half of the 19th century. The power shifted from the wholesalers to the manufacturers thanks to the branding process. Manufacturers took efforts to create brand awareness, and to make their brands different from those of the competitors. They also strove to maintain a consistent quality level. Brands came to have three dimensions-differentiation, legal protection and functional communication.

Branding Challenges

1. Well-informed customers After the digital revolution, information is easily available to compare and contrast different brands, the customer has become savvy and it is more difficult to create loyal customers for brands in this scenario.
2. Brand Proliferation There is huge competition in every product category leading to huge clutter in the market. There are many good brand choices for customers in most product categories.
3. Media role The earlier one-way mass communication channels such as TV , Print and Radio have slowly lost their very high importance and direct two-way channels such as social media (Facebook, Twitter, Instagram etc) and digital search engines (google, Yahoo, Bing etc) have gained prominence.
4. Increased Costs Because of increased competition and several good organizations competing with each other, the cost of developing new products and brands is steadily increasing.
5. Greater Accountability In the information age, if any organization is not following authentic and ethical branding strategies, it is very difficult to create a positive reputation and defend the brand in the face of breaching customer trust. Any crisis in the organization can affect the brand image

Branding

Branding is the business process of managing your trademark portfolio so as to maximize the value of the experiences associated with it, to the benefit of key stakeholders, current and prospective

1. Employees
2. Customers
3. Stock/share holders
4. Suppliers
5. Intermediaries
6. Opinion leaders
7. Local communities
8. Purchasers and licensees

Employees The more employees value the company's brands and understand what to do to build them, the more customers, suppliers, local communities and opinion leaders will value them. The more attractive brands are to potential employees, the more they are likely to want to work for the organization.

Customers The more customers value the brand, the more they will buy your products and services, and recommend them to other people. They will also pay a premium for them. This, in turn, will enhance the value of the brands to prospective purchasers and licensees. Research has shown that strong brands are more resistant to crises of reputation.

Stock/Shareholders Strong brands multiply the asset value of the company (90% of the asset value of some major corporations lies in their intellectual property), and assure them that the company has a profitable future. They also allow the company to afford to give competitive dividends to current stock/shareholders.

Suppliers like to be associated with strong brands as this benefits their own reputation in the eyes of other current or potential customers. You are therefore likely to get better service at a lower total acquisition cost.

Intermediaries Retailers, distributors and wholesalers' value strong brands as they improve their own profit margins. They are likely to give you more "air time" and shelf space, thus enhancing further the value of brands in the eyes of current and prospective customers.

Opinion Leaders The media, politicians and non-government organisations are more respectful of strong brands.

Local Communities Supportive local authorities are critical for any brand's success. The local communities provide work force and can be highly disruptive if they perceive the company as damaging the environment.

Purchasers and Licensees The question prospective purchasers and licensees ask is "how much more profit can I get for my products and services sold under this brand than under any brand I might build?" Strong brands can be spectacularly valuable.

Types of Brands

Anything and Everything can be branded. Different types of brands are

Individual Brands This is typical product brands. For each product or service, a brand is created. Typical product companies in FMCG follows this approach.

Organizations Sometimes also called Corporate Brands, organizations create their own brand image apart from their products and services. Many technology companies, political parties, NGOs build their corporate brands

Personal Brands any person can create his or her own brand. This includes politicians, celebrities, sports stars, movie/TV stars, Fitness and wellness experts, doctors etc

Group Brands A group of branded identities that have inter-connected products and services can form a group brand. Many media houses and companies such as Times Network use this type of branding.

Event Brands Companies that specialise in conducting events for customers form event brands. The hugely successful IPL brand is an example.

Private Label Brands These are also called Store brands, typically grocery chains, supermarkets develop their own product range which competes with national/international brands.

e-Brands E-brands exist only in the virtual world. Many e-brands, such as Amazon.com, have a central focus on providing an online front end for delivering physical products or services. Others provide information and intangible services to benefit consumers. Typically, a common denominator among e-brands is the focus on delivering a valued service or experience in the virtual environment.

Key Branding Terminology

Brand

The collective perceptions and impressions people have formed about an organization, its products and/or its services, whether through direct (ads/purchase) or indirect (word-of-mouth) interactions. Any noun can have a brand, including people, places and things — Sports Personalities, Film stars etc

Brand Architecture is the relative structure of an organization's brands. The way in which the brands within a company's portfolio are related to, and differentiated from, one another — i.e, a brand "family tree." Example in FMCG companies a "House of Brands" approach is adopted, where in each product has an individual name. For example, Lux, Dettol etc. In many Technology companies "a branded house" approach is used, where in all the products have the same name. For example, GE, LG, and IBM.

Brand Asset

Any aspect of a brand that has strategic value — e.g., visual symbols, slogans, sounds, photos, mascots, etc.

Brand Attributes

A specific set of characteristics that identify the visual, verbal and behavioural traits of the brand, much in the same manner that personality attributes define the people we know.

Brand Equity

The accumulated financial and strategic value of all associations and expectations (positive and negative) that people have of brand. Brand equity can be quantified four ways 1) economic value of the brand and its assets, 2) the price premium that the brand commands, 3) the long term consumer loyalty the brand enjoys, or 4) the market share the brand gains through its reputation alone. brand equity can be negative.

Brand Gap

The difference between the brand's strategy and the actual experience.

Brand Identity

The outward expression of a brand — i.e., look-and-feel — as created by a system of standards including colors, fonts, images, photos, graphics and design. (Compare to "Corporate Identity.")

Brand Image

The mental associations, ideas, feelings and beliefs people think of when they see or hear a brand.

Brand Positioning Statement

A clear, concise, focused statement capturing the essence of a brand's differentiation.

Brand Promise

Consumer expectations about what the brand will deliver. The experience — good or bad — one can expect from a brand.

Box 4.1

TerraCycle

Tom Szaky discovered when he was a freshman at Princeton University that worm castings are the best fertilizer. He could not believe how food waste from the cafeteria could end up in a landfill. So, he decided to feed it to worms bottling the output in used plastic containers. He believed to have produced the most environmental fertilizer ever. Better, he could sell it with a profit at a price lower than any competition. Tom went on to create a national collection program for used packaging and containers. He imagined a business model that permits to pay schools and not-for-profit organizations to collect all types of used stuff. He put people to imagine, design and produce high quality products like backpacks and kites using selectively collected waste as a raw material. Instead of recycling, he called this upcycling just like the title of the book published by the founder of the Blue Economy in the year 1999 in Germany. Tom went on to create TerraCycle, based in New Jersey, USA, a booming company that operates a new business model for waste. In his model, waste does not even get into the garbage bin. Tom's model goes beyond mere recycling and creating valuable products out of waste: he puts a brand on waste. Until now, companies wished to hide their name in waste, blend it with other junk, or burn it since ashes do not carry a logo. Tom developed products that tell the consumer who was the originator of the raw materials from which a final product is made. Juice pouches from Capri Sun are converted to tote bags used chip bags from Frito Lay are recycled into garbage cans and beverage coolers. Koolaid in Canada, and Tang in Mexico and Brazil follow the same concept. Twenty percent of TerraCycle's waste conversion program is branded. This is one of the innovations that characterizes the Blue Economy since it permits the generation of value added and jobs, while sharing income building up social capital.

TerraCycle works in +45,000 schools in America, and also with businesses, civic groups and gyms, which sign up on TerraCycle's website to collect various waste streams like juice pouches and candy wrappers, toothbrushes and pens. It makes payments to schools and charities for sending the waste, and covers the cost of postage for shipping. While keeping waste from landfills, TerraCycle creates products and materials that replace other products made from virgin materials. Walmart (USA) featured TerraCycle's upcycled products manufactured through licensees. During the 2010 Earth Month celebration, 4,300 Walmart stores sold TerraCycle's products alongside the original one. So tote bags made from Frito Lay wrappers were sold with Frito Lay chips. Backpacks made from Capri Sun drinks were sold next to the juice. Purses and shoulder bags made from wrappers of M&M and Skittles were on sale next to the sweets and candy bars, from Mars. None of the companies mind that their waste turns into a branded sales item on the contrary these products promote consumer loyalty and repeat sales. Only a decade after he first proposed this business model at Princeton University, TerraCycle generated in 2010 an estimated annual revenue of $13,5 million with barely 50 employees and is expected to grow to $18 million this year. Demonstrating that the genius is in the design of the business model not in the technology, since all technologies needed to operate the business are off the shelf and readily available. TerraCycle's environmental benefits have been confirmed by third party Life Cycle Analyses.

Box 4.1

Tom Szaky has a simple goal, recycle "non-recyclable" waste. His global reach extends now to twelve countries. This business model could be applied anywhere where brands are prepared to help cover the cost of collecting the non-recyclable waste. Not only is there value in waste, but there are huge employment opportunities. Whereas many have practiced waste upcycling before like fashion from waste in Brazil, the selective waste recovery in Curitiba (also in Brazil) in return for public transportation, and waste to art in Africa, Szaky's model mobilizes the young at grassroots level. This finances school projects and engenders a sense of responsibility of citizens who can designate $0.02 cents per waste to a school or charity of their choice. It is this network of institutions and people that has mobilized waste while unlocking its value with a sense of commitment and responsibility, a strong dose of enthusiasm, making everyone conscious and happy in the process.

https://www.theblueeconomy.org/uploads/7/1/4/9/71490689/case_52_branding_waste.pdf

4.2 Designing a Brand, Brand Identity using Kapferer's Identity Prism

Tangible elements of the brand such as Visual Design (logo, typography, color combination, images, tagline, packaging, URL, Websites, spokes people, characters, slogans, social media pages etc) are called as Brand elements and sometimes as brand design.

Brand elements contribute to the overall brand identity. Brand elements help in identifying the brand, distinguish the brand from competitors and facilitate unique brand associations. The visual identity reflects the brand identity code and has to be managed with strict guidelines for long term consistency without jeopardizing brand identity deviation.

Kevin Lane Keller describes four key elements of brand identity URLs, symbols, spokes people, packages and signage and six criteria which play offensive and defensive roles .

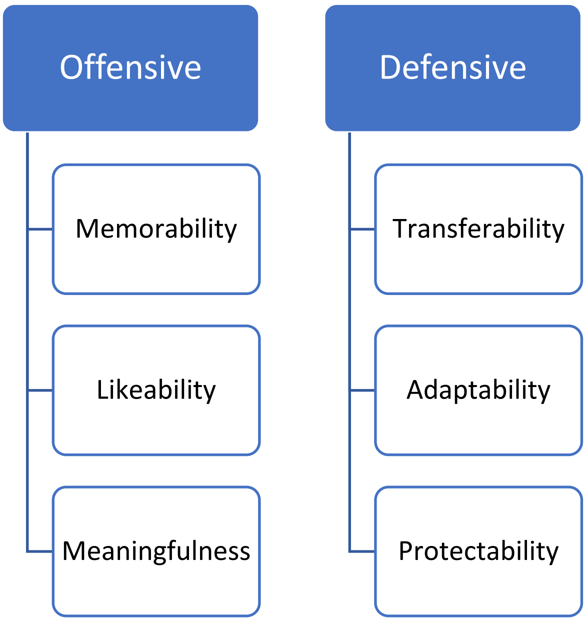


Fig 4.1 Roles of Brand Identity

1. **Memorability** Brand elements that help achieve a high level of brand awareness or attention to the brand, in turn facilitate the recognition and recall of a brand during purchase or consumption.

2. **Meaningfulness** Here a marketer needs to ensure that brand elements are descriptive and suggesting something about the product category of the brand. This is important to develop awareness and recognition for the brand in a particular product category.
3. Secondly, the brand elements also need to have a persuasive meaning and suggest something about the particular benefits and attributes of the brand. This is necessary for defining the positioning of the brand in a particular category.
4. **Likability** Brand Elements need to be inherently fun, interesting, colourful and not necessarily always directly related to the product.
5. A memorable, meaningful and likable brand element makes it easier to build brand recognition and brand equity, thus reducing the burden on the marketer and thereby reducing the cost of marketing communications.
   The above 3 criteria constitute the "Offensive Strategy" towards building brand equity
6. **Transferability** is the extent to which brand elements can add brand equity to new products of the brand in the line extensions. Another point, a marketer needs to keep in mind is that the brand element should be able to add brand equity across geographical boundaries and market segments. For example, brand names like “Apple”, “Blackberry” represent fruits the world over, thus as a brand name it doesn't restrict brands and product extensions.

Adaptability Consumer opinions, values and views keep changing over a period of time. The more adaptable and flexible brand elements are the easier it is to keep up changing and up to date from time to time to suit the consumers liking and views. For example, Coca -Cola has been updating it's logo over the years to keep up with the latest trends, fashions and opinions.

Protectability the final criterion in choosing a brand element is that it should be protectable legally and competitively. Brand elements need to be chosen in such a way, that they can be internationally protected legally, legally registered with legal bodies. Marketers need to voraciously defend their trademarks from unauthorized competitive infringements.

The above 3 criteria constitute the "Defensive strategy" towards leveraging and maintaining brand equity. The most ideal brand elements would be those which satisfy all the criteria. But it is not possible have a brand element which would satisfy all the above criteria. For example, if we choose a brand name which is most meaningful in a country or culture or a market segment, it would be very difficult to make it transferable to other brand extensions and to other cultures and market segments.

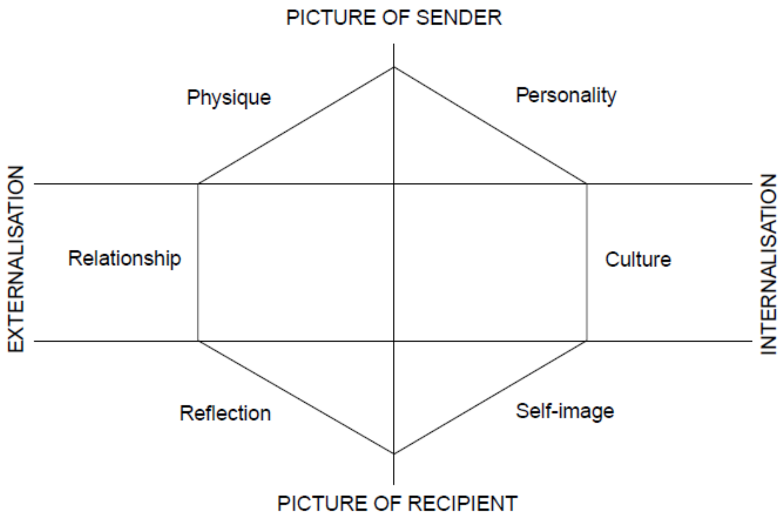


Fig 4.2 The Brand Identity Prism

Image Sourcehttps//marketinglessons.in/kapferer-brand-identity-prism-concept-example/

The Brand Identity Prism is a concept coined by J. Kapferer's in 1986. According to him, any brand can be identified by its characteristics. The Brand Prism is represented by a hexagonal prism which defines 6 characters of a brand.

Physical Characteristics/Physique Major physical qualities which are seen by the target audience-like its color, shape, logo, design, packaging, slogans or anything that brings an image in the mind of the consumer when thinking or talking about the brand. Ex. The Amul Girl.

Brand Personality This defines the brand's personality or character. Here the brand is personified and its traits are perceived in the eyes of the consumer in a particular way. It can be related to calling a person shy or stylish or philanthropic. Ex. The Raymond's Complete Man Personality.

Brand Culture This represents the values and principles a brand stands for. A brand that has a 'Go Green' motto will be eco-friendly is all its aspects from manufacturing to marketing. Patanjali Ayurvedic products are branded on the usage of natural ingredients and environment friendly nature.

Brand Relationships The relationship a brand has, with its customers, the way each communication relates to its target audience or how brands influence and provide a particular service to its customers.

Customer Reflection How a customer reflects with a particular brand. This is different with how customers perceive the brand. This talks more about the consumers who use the brand as opposed to the brand itself.

Customer Self Image This explains how a customer perceives himself by using the brand. For example, how men and women differentiate certain brands as being masculine or feminine. Understanding the

Brand's prism can help a company position the brand better and design effective marketing strategies related to the brand's identity. The brand can be communicated better if its identity is well established.

A Few Illustrations of Brand Identity Prism

Image Source http//monitor.icef.com/2016/04/stand-out-from-the-competition-by-sharpening-your-brand-identity/

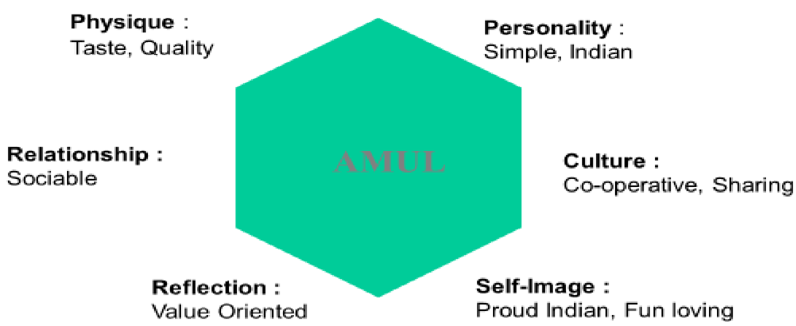


Fig 4.3 AMUL: Kapferer's Prism

Box 4.2

USA Waste Company

John Man love Marketing & Communications (JMMC) was hired by John Drury, CEO of USA Waste Company, to rebrand the company. Upon analysis of the current brand identity of USA Waste and the industry at large, it was noted that all the major waste companies were marketing themselves the same way. All marketing materials were very institutional and all were competing for the number of landfills, trucks and capacities they owned. JMMC rebranded USA Waste as an environmentally friendly company all services were positioned from the customer perspective and benefit. The new brand identity was a huge success and redefined the entire waste industry and the way they marketed themselves. USA Waste bought Waste Management Company, the largest Waste Management company in the nation which had $13 billion a year annual revenue at the time. The new Brand Identity that JMMC created for USA Waste was carried over to the newly merged company and to this day waste companies continue to follow the JMMC brand approach.

https://www.johnmanlove.com/case-study/brand-identity/

4.3 Customer Based Brand Equity Model, Strategic Brand Wheel and Maps

According to Kevin Lane Keller, Brands represent enormously valuable pieces of legal property, capable of influencing consumer behaviour, being bought and sold, and providing the security of sustained future revenues to their owner. The value directly or indirectly accrued by these various benefits is often called brand equity.

A basic premise of brand equity is that the power of a brand lies in the minds of consumers and what they have experienced and learned about the brand over time. Brand equity can be thought of as the "added value" endowed to a product in the thoughts, words, and actions of consumers. There are many different ways that this added value can be created for a brand.

Keller's Brand Equity Model is also known as the Customer-Based Brand Equity (CBBE) Model. The concept behind the Brand Equity Model is simple in order to build a strong brand, you must shape how customers think and feel about the company’s product. The company has to build the right type of experiences around the brand, so that customers have specific, positive thoughts, feelings, beliefs, opinions, and perceptions about it.

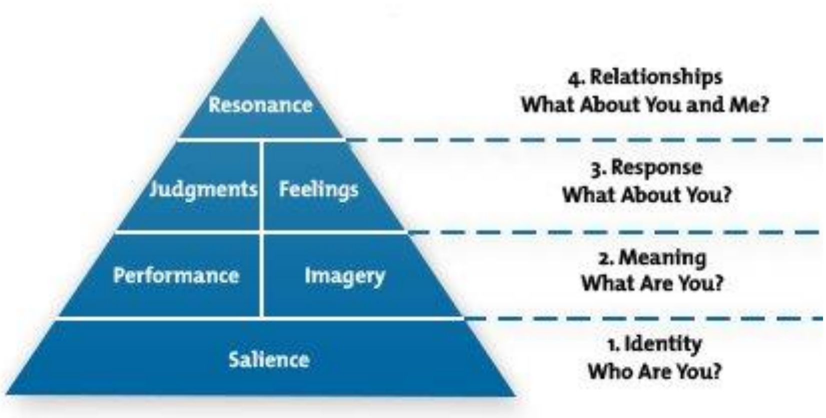


Fig 4.4 Brand Equity Model

Image Source https//www.mindtools.com/pages/article/keller-brand-equity-model.htm

Building a Strong Brand

Building a strong brand, is a step wise process, where each step is dependent upon fruitfully achieving the previous step. Certain objectives have to be achieved with customers both existing and potential customers. The first step is to ensure brand identification with customers and create an association of the brand in customers' minds with a specific product class or customer need. The second step is to firmly ensure the totality of brand meaning in the minds of customers i.e., by intentionally linking a host of tangible and intangible brand associations/connotations. The third step is to elicit the appropriate customer responses to this brand identity and brand meaning. The fourth and final step is to translate brand response to create an intense, active loyalty relationship between customers and the brand.

The four steps are answers to the 4 questions raised by customers while deciding on choosing a brand or while choosing to remain loyal to the brand.

1. Who are you? (Brand Identity)
2. What are you? (Brand Meaning)
3. What about you? What do I think or feel about you? (Brand Responses)
4. What about you and me? What kind of association and how much of a connection would I like to have with you? (Brand Relationships)

Brand Salience

Achieving the right brand identity involves creating brand salience with customers. Brand salience relates to aspects of the awareness of the brand, e.g., how often and easily is the brand evoked under various situations or circumstances. To what extent is the brand top-of-mind and easily recalled or recognized? What types of cues or reminders are necessary? How pervasive is this brand awareness?

For example, Does the customer think of Cadbury's brand whenever a chocolate image is seen on TV or a hoarding? Or does watching someone drink milk remind the customer of Amul?

The purpose of creating brand salience is to answer the question, what basic functions does the brand provide to customers?

Generally, whenever new products are launched in the market, the first few months of the marketing communications are entirely dedicated to create brand salience. Firstly to tell customers the exact nature of problem/need the brand promises to fulfil, the different kinds of situations when the brand addresses customer needs. Later on communication emphasises on several occasions and situations when the brand is the best fit to address customer requirements.

Creating awareness is the foundation as awareness influences the formation and strength of brand associations. High awareness leads to proper category identification and provides clarity to customers regarding the needs that the brand satisfies. Awareness also ensures that the brand remains in the consideration set in the mind of the customer.

Awareness plays a major role in situations of low involvement especially when

1. Purchase motivation (e.g., when customers don't care about the product or service) or
2. Purchase ability (e.g., when customers do not know anything else about the brands in a category or lack the expertise to judge quality even if they do know some things).

Key Criteria for Brand Awareness

Brand awareness can be distinguished in terms of two key dimensions depth and breadth. Depth of brand awareness refers to how easily customers can recall or recognize the brand. Breadth of brand awareness refers to the range of purchase and consumption situations where the brand comes to mind. A highly salient brand is one that has both depth and breadth of brand awareness, i.e., such that customers always make sufficient purchases as well as always think of the brand across a variety of settings when it could possibly be employed or consumed.

Thus, in terms of creating brand salience, in many cases, it is not only the depth of brand awareness that matters, but also the breadth of brand awareness and properly linking the brand to various categories and cues in customers' minds. In other words, it is important that the brand not only be "top-of-mind" and have sufficient "mind share" but it must also do so at the right times and right places.

Breadth is an often-neglected consideration, even for brands that are category leaders. For many brands, the key question is not whether customers can recall the brand or not but, instead, where do they think of the brand, when they do think of the brand, and how easily and often do they think of the brand? In particular, many brands and products are ignored or forgotten at possible usage situations. Increasing the salience of the brand in those settings can be an effective means to drive consumption and increase sales volume.

Brand Performance

Customers are concerned about the primary features of the brand. Customers ask questions about the reliability, durability, and serviceability aspects of the brand. The after-sales services, efficiency of service delivery is important in brand performance. Customers also have to be convinced about empathy during interactions, style, design and pricing of the brand.

Brand performance relates to the ways in which the product or service attempts to meet customers' more functional needs. Thus, brand performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. How well does the brand rate on objective assessments of quality? To what extent does the brand satisfy utilitarian, aesthetic, and economic customer needs and wants in the product or service category?

Brand Imagery

Imagery as the word indicates paints a picture of the brand in the mind of the customer. It also adds abstract and addresses psychological and social needs of the customer. Brand imagery is how people think about a brand abstractly rather than what they think the brand actually does. Thus, imagery refers to more intangible aspects of the brand.

Tools for creating brand imagery are

1) User Profiles One set of brand imagery associations is the type of person or organization who uses the brand. This imagery may result in a profile or mental image by customers of actual users or more aspirational, idealized users. Associations of a typical or idealized brand user may be based on descriptive demographic factors or more abstract psychographic factors. Demographic factors might include gender, age, race, income, and marital status. Psychographic factors might include attitudes toward life, careers, possessions, social issues, or political institutions. In a business-to-business setting, user imagery might relate to the size or type of organization. User imagery may focus on more than characteristics of just one type of individual and center on broader issues in terms of perceptions of a group as a whole. For example, during early 2000's chocolates were considered as a product for children, subsequently marketers of chocolates have included teenagers, young adults and even old people as consumers of chocolates.

2) Purchase and Usage Situations

A brand should be able to tell customers under what situations is the brand ideal for them. This can be done through several ways

a. Type of channel (e.g., department store, specialty store, or direct through internet or some other means)
b. Specific store (e.g., Big Bazaar) and
c. Ease of purchase and associated rewards, if any. Similarly, associations of a typical usage situation may be based on a number of different considerations, such as
d. Particular time of the day, week, month, or year to use the brand (most retail stores in India offer Wednesday discounts to boost mid-week sales)
e. Location to use the brand (e.g., inside or outside the home) and
f. Type of activity where the brand is used (e.g., formal or informal).
g. Personality and values. Brands may also take on personality traits and values similar to people.

Brand personality is often related to the more descriptive usage imagery but involves much richer, more contextual information. Five dimensions of brand personality which have been identified are

a. Sincerity (e.g., down to earth, honest, wholesome, and cheerful)
b. Excitement (e.g., daring, spirited, imaginative, and up-to-date)
c. Competence (e.g., reliable, intelligent, successful)
d. Sophistication (e.g., upper class and charming) and
e. Ruggedness (e.g., outdoorsy and tough).

f. History, heritage, and experiences.

Brand Responses

Brand responses refer to how customers respond to the brand and all its marketing activity and other sources of information, i.e., what customers think or feel about the brand. Brand responses can be distinguished according to brand judgments and brand feelings, i.e., in terms of whether they arise more from the "head" or from the "heart."

Brand Judgments

Brand judgments focus upon customers' own personal opinions and evaluations with regard to the brand. Brand judgments involve how customers put together all the different performance and imagery associations for the brand to form different kinds of opinions. Customers may make all types of judgments with respect to a brand, but in terms of creating a strong brand, four types of summary brand judgments are particularly important (in ascending order of importance) brand quality, brand credibility, brand consideration and brand superiority.

Brand Feelings

Brand feelings are customers' emotional responses and reactions with respect to the brand. Brand feelings also relate to the social currency evoked by the brand. What feelings are evoked by the marketing program for the brand or by other means? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense and be positive or negative in nature. A brand can invoke the following types of feelings warmth (think of Hutch Pug), fun (Wonderland), excitement (Mountain Dew), security (life insurance, fire safety), social approval (luxuy cars) and self-respect(organic products).

Brand Resonance

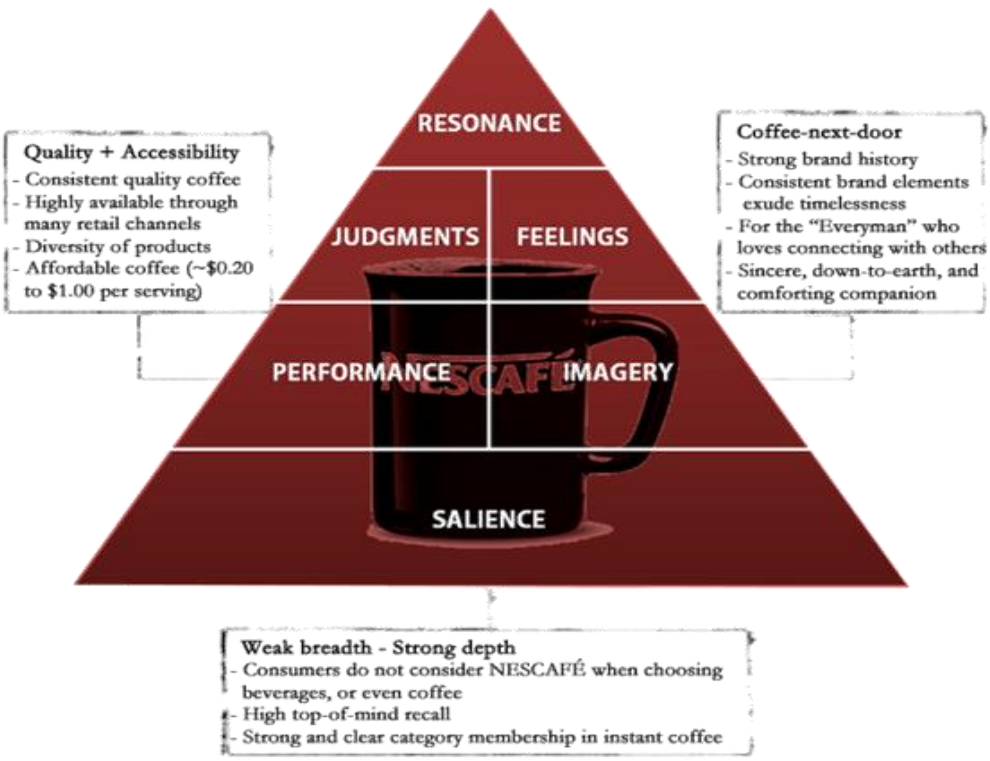
The final step of the model, brand relationships, focuses upon the ultimate relationship and level of identification that the customer has with the brand. Brand resonance refers to the nature of the relationship that customers have with the brand and the extent to which customers feel that they are "in sync" with the brand. Brand resonance is characterized in terms of intensity or the depth of the psychological bond that customers have with the brand as well as the level of activity engendered by this loyalty (e.g., repeat purchase rates, the extent to which customers seek out brand information, events, other loyal customers, and so on). Specifically, brand resonance can be broken down into four categories

1. Behavioural loyalty. The first dimension of brand resonance is behavioural loyalty in terms of repeat purchases and the amount or share of category volume attributed to the brand.
2. Attitudinal attachment. Behavioural loyalty is necessary but not sufficient for resonance to occur. Some customers may buy out of necessity buying for reasons such as because the brand is the only product being stocked or readily accessible, the only one they can afford to buy, and so on. To create resonance, there needs to also be a strong personal attachment too. Customers should go beyond having a positive attitude to view the brand as being something special in a broader context. For example, customers with a great deal of attitudinal attachment to a brand may state that they "love" the brand, describe it as one of their favorite possessions, or view it as a "little pleasure" that they look forward to.

3. Sense of community. The brand may also take on broader meaning to the customer in terms of a sense of community. Identification with a brand community may reflect an important social phenomenon whereby customers feel a kinship or affiliation with other people associated with the brand. These connections may involve fellow brand users or customers or, instead, may be employees or representatives of the company.
4. Active engagement. Finally, perhaps the strongest affirmation of brand loyalty is when customers are willing to invest time, energy, money, or other resources into the brand beyond those expended during purchase or consumption of the brand.

Box 4.3

Example of CBBE Model: Nescafe



Example from Waste Management Sector

Photoprint is an enterprise based in Pune which partners with waste pickers to convert plastic waste into filaments for 3D printing. 3D printing is an additive manufacturing technique in which one can create, or "print", objects layer by layer using raw material powder or filament as feedstock. Although 3D printing is still at the nascent stage in India, it has appeal as the technology of the future, and is increasingly seeing use to manufacture intricate geometries which are difficult to cast.

Founded in 2013 by Siddhant Pai, Photoprint has partnered with Swachh (Solid Waste Collection and Handling, or SWaCH Seva Sahakari Sanstha Maryadit), which is a wholly-owned cooperative of self-employed waste pickers from Pune who provide front-end waste management services to the citizens of Pune. Protoprint has set up 'Filament Labs' at dumpsites. They process High-Density Polythene

(HDPE), such as shampoo and detergent bottles. At the Filament Lab, the bottles are converted into flakes which are then melted and extruded into HDPE filaments.

Waste plastic costs less than US$0.30 (₹20) per kg., whereas one can sell 3D filament for more than US$15.27 (₹1,000) per kg. This significant value added has the potential of making the setup commercially viable in a matter of months. While having a strong business case, the intervention also provides an opportunity for waste pickers to become micro-entrepreneurs. Once they have perfected the filament manufacturing process, the waste pickers can scale up the concept and take it to multiple cities by partnering with other waste-picker collectives and NGOs.

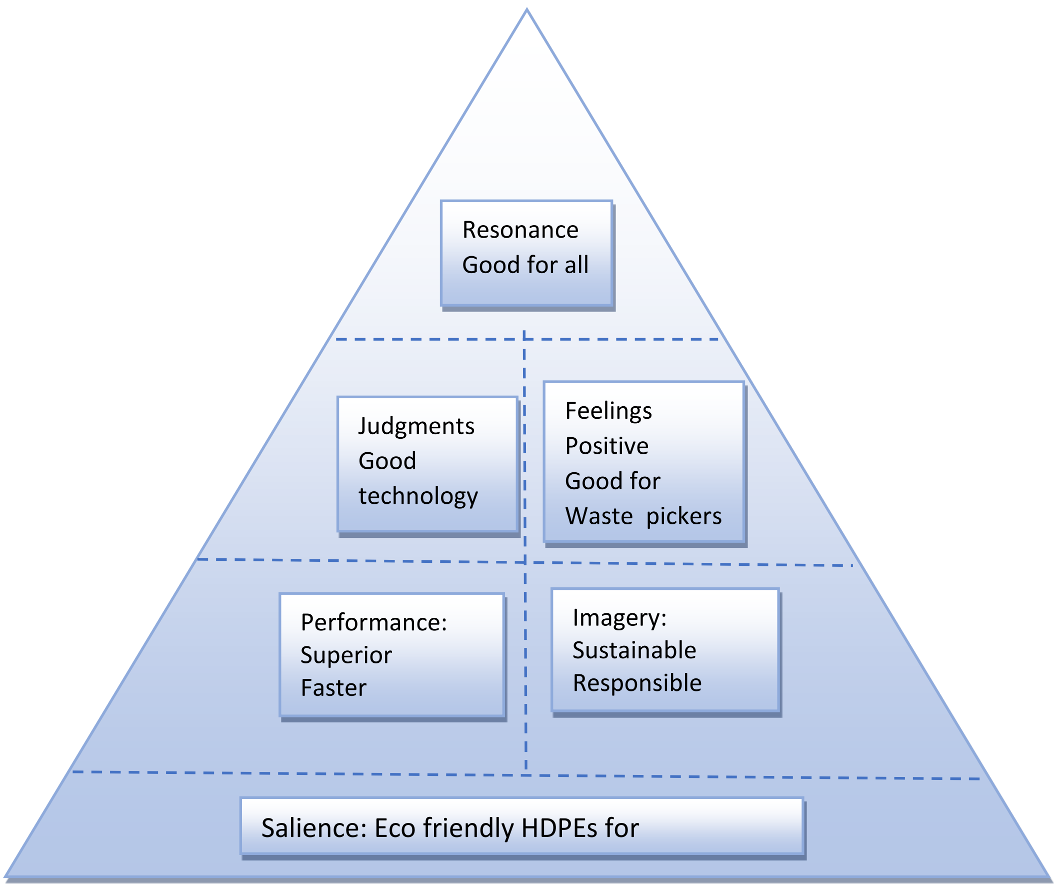


Fig 4.5 CBBE Pyramid for Protoprint

https//www.thebetterindia.com/96175/municipal-solid-waste-private-sector-startups/

Strategic Brand Wheel

This is another model to represent a brand.

Brand Essence is the core of the brand, the sum of all characteristics in the wheel. Personality depicts what type of person the brand would represent if viewed as a Person. Values depict fundamental pillars of the brand such as purity, innovation or honesty etc. Benefits depict the gains to the customer while using the brand and attributes depict the physical features of the brand.

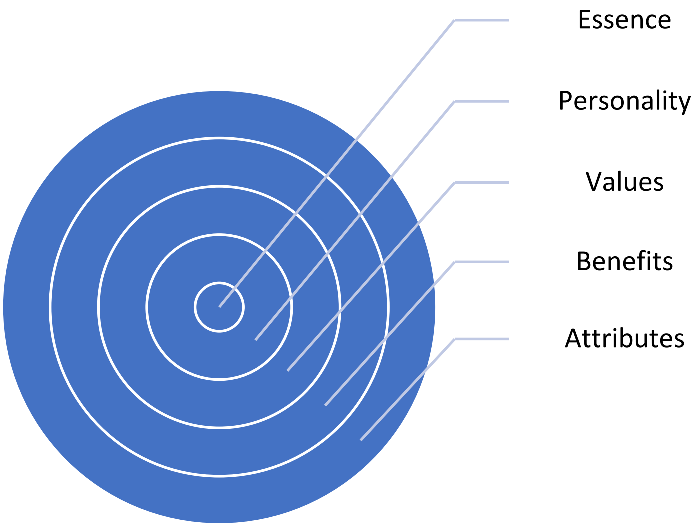


Fig 4.6 Strategic Brand Wheel

Fig 4.7 Brand Mapping

Image Sourcehttps//www.brandingstrategyinsider.com/2009/09/brand-positioning-and-perceptual-maps.html#.W-FxYjHhW1s

Brand mapping is an exercise followed to identify what position the brand occupies in the mind of the customer. The above diagram represents two airline brands and customers are asked for their opinions on two aspects typically plotted as X and Y axis on a graph. Here X axis represents Brand strength and Brand weakness at two end points, Y axis represents important and unimportant at two ends. The red color entries are brand B and purple colored entries are brand A.

The greater number of entries closer to the axis shows the positioning of the brand towards that aspect in the customers mind. For example, Brand B the strength comes from low prices, and weakness is lack of good food.

The positioning maps are very useful tools to develop actual positioning statements for the brand discussed in the next unit.

4.4 Brand Mantra and Brand Positioning

Brand Mantra

Brand mantra is an articulation of the "heart and soul" of the brand, similar to "brand essence" or "core brand promise". it is a short three to five-word phrases that capture the irrefutable essence or spirit of the brand positioning and brand values. The considerations for brand mantra are to communicate, simplify and inspire customers.

Brand mantras help the brand present a consistent image. Any time a consumer or customer encounters a brand—in any way, shape, or form—his or her knowledge about that brand may change and affect the equity of the brand. Given that a vast number of employees come into contact with consumers, either directly or indirectly, their words and actions should consistently reinforce and support the brand meaning.

Brand Mantra Components The term brand functions describe the nature of the product or service or the type of experiences or benefits the brand provides. The descriptive modifier further clarifies its nature.

The emotional modifier provides another qualifier—how exactly does the brand provide benefits, and in what way?

Brand function typically addresses the need identification question for the customer. The descriptive modifier addresses the question on attributes and features of the brand, whereas the emotional modifier talks to a customer from a feeling's perspective. When used effectively in combination, brand mantras are powerful in making the brand "stick" and invoke the right responses from customers over time.

A few examples are given below

Table 4.3 Designing a Brand Mantra

Brand	Emotional Modifier	Descriptive Modifier	Brand Functions
Nike	Authentic	Athletic	Performance
Disney	Fun	Family	Entertainment
McDonald's	Fun	Folks	Food
Tanishq	Indian, Classic yet contemporary	Exclusive designs	Jewelry

Brand mantras derive their power and usefulness from their collective meaning. Other brands may be strong on one, or perhaps even a few, of the brand associations making up the brand mantra. For the brand mantra to be effective, no other brand should singularly excel on all dimensions.

For brands facing rapid growth, a brand functions term can provide critical guidance as to appropriate and inappropriate categories into which to extend. For brands in more stable categories, the brand mantra may focus more on points-of-difference as expressed by the functional and emotional modifiers, perhaps not even including a brand functions term.

What does a Brand Mantra do?

Communicate A good brand mantra should both define the category (or categories) of the business to set the brand boundaries and clarify what is unique about the brand.

Simplify An effective brand mantra should be memorable. That means it should be short, crisp, and vivid. A three-word mantra is ideal because it is the most economical way to convey the brand positioning.

Inspire Ideally, the brand mantra should also stake out ground that is personally meaningful and relevant to as many employees as possible. Brand mantras can do more than inform and guide they can also inspire, if the brand values tap into higher-level meaning with employees as well as consumers.

Brand Positioning

"The act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's minds. "Philip Kotler

A brand positioning strategy therefore involves creating brand associations in customers' minds to make them perceive the brand in a specific way.

By shaping consumer preferences, brand positioning strategies are directly linked to consumer loyalty, consumer-based brand equity and the willingness to purchase the brand. Effective brand positioning can be referred as the extent to which a brand is perceived as favorable, different and credible in consumers' minds.

1. **Determining a Frame of Reference**
   A brand's frame of reference is the context in which consumers view it. The first thing consumers will try to figure out is the category the brand belongs to. In many instances, brand-category associations are straightforward Pepsi belongs to the carbonated soft drink category. So marketers establish communications which clearly inform customer the frame of reference for the brand. If a customer is confused about the category identification or frame of reference then the customer may not consider the brand during the purchase situation.
2. **What are the Ideal Points-of-Parity and Points-of-Difference Brand Associations Vis-à-Vis the Competition?**
   In order to develop the brand positioning strategy, marketers need to know
   - Who the target consumer is complete customer profile in terms of socio-economic background, lifestyle, media habits, cultural beliefs etc?

- Who the main competitors are all companies that appear to offer similar products/services to customers or addressing the same customer concerns?
- How the brand is similar to these competitor's similarity can be assessed in terms of brand mantra, physical features, descriptive and emotional modifiers.
- How the brand is different from them marketers ask the question how is our brand different from close competitors from all aspects of buying, using and servicing, including psychological advantages of their brand versus competitors.

3. Target Market

The marketer has to select the target market for different brands. A market is the set of all actual and potential buyers who have sufficient interest in, income for, and access to a product. Market segmentation divides the market into distinct groups of homogeneous consumers who have similar needs and consumer behavior, and who thus require similar marketing mixes. Market segmentation requires making tradeoffs between costs and benefits.

Example from Toothpaste Market

Four main segments

1. Sensory Seeking flavor and product appearance
2. Sociable Seeking brightness of teeth
3. Worriers Seeking decay prevention
4. Independent Seeking low price

Depending on the market potential of the above 4 customer segments, marketers may decide to create specific products for each customer group or in some cases one product can offer two or three benefits for different customer groups.

A toothpaste may promise to offer brightness of teeth with fighting decay properties.

4. Points of Difference and Points of Parity

Points-of-difference (PODs) are attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand.

Companies possessing strong uniqueness or innovation in products adopt POD positioning. It is powerful in creating a unique association in customers minds.

The risk with this strategy is if the uniqueness is easily copied by other companies, then the differentiation is lost.

For Example

Margo Neem Soap Margo's strength is its health positioning supported through ingredients like neem leaves. It is a popular brand in Eastern India. However, the benefit of neem attracted other brands too to follow the suit.

Points-of-parity associations (POPs), on the other hand, are not necessarily unique to the brand but may in fact be shared with other brands.

Many Chinese mobile phone brands are positioning in India such as Redmi have adopted POP positioning by offering all features and benefits of leading brands such as Apple and Samsung at affordable pricing.

Companies need to change their positioning under different market situations. Below are various circumstances
Brand is a market leader in this case, the brand needs to highlight the superior and key differences, thus the brand needs to focus on its Points of Differences.

1. Brand as a "me-too" or a follower brand in this case, the brand needs to piggy-back on the market leader, hence the brand needs to highlight the points of parity with the market leader.
2. Brand entering an established and mature market in this case, since the consumer switching would be low due to customer loyalty, hence the brand needs to highlight the points of difference.
3. In a target market where the brand offers multiple products in this case, the brand should emphasize on the Points of Difference of all the products in order to avoid the cannibalization.
4. In a price sensitive market in this case, the brand needs to provide additional benefits to the customers, so that customers feel he's getting more value for his money. Thus, emphasis should be on Points-of-difference.

5. **Choosing POP's and POD's**

Desirability criteria (consumer perspective) Customers want brands to be personally relevant, distinctive and superior, believable and credible
Deliverability criteria (firm perspective) Marketers have to analyses the feasibility of offering, profitability and decide on major strategy which can be pre-emptive, defensible, and difficult to attack.

Example from Waste Management Sector

Let's Recycle™
WASTE MANAGEMENT COMPANY
Making Waste Sustainable

In last 3 years, have been successful in diverting 10616 MT waste from landfill resulting in ousting approximately 31569 MT CO_2 equivalent emission

Nepra Resource Management Pvt Ltd'sinitiative Let's Recycle is the largest waste management solution in India. With the wide spread network of recycling facilities Nepra adapts to meet the needs of various costumer groups by tailoring, scheduling and organizing operations to suite their requirements. Since 2012 Nepra has helped 500+ customers become greener.

Let's Recycle has formalized the Indian unregulated and unorganized waste management sector by sourcing waste from the marginalized waste pickers, ensuring long standing relationships by providing fair and transparent prices. Nepra has impacted the lives of 5000+ people from bottom of pyramid and are committed to do in future.

Nepra the only waste management organization in India to have developed an Enterprise Resource Planning (ERP) system to track and monitor activities so as to make the system more authentic and efficient.

Brand	Emotional Modifier Impacting lives of marginalized waste pickers	Descriptive Modifier Waste segregation	Brand Functions Easy to use, customized to client requirements

4.5 Measuring Brand Equity

Brand Equity Measurement using Brand Value Chain

The brand value chain is a structured approach to assessing the sources and outcomes of brand equity and the manner by which marketing activities create brand value.

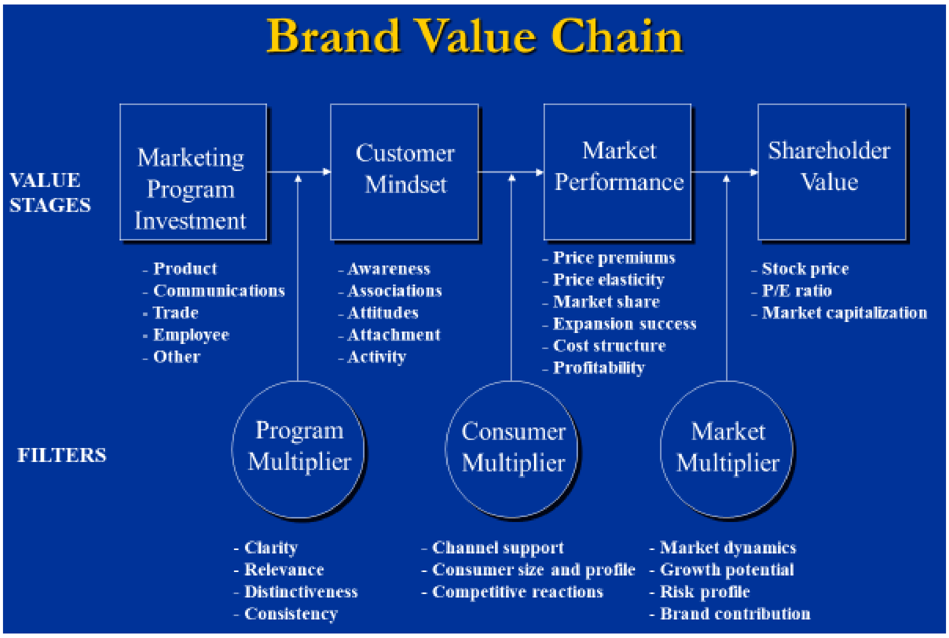


Fig 4.8 Brand Value Chain

Value Stages

Marketing Program Investment

It is any marketing program that can be attributed to brand value development. The company undertakes marketing programs to develop the brand value, create positive perception and loyalty for the brand.

Customer Mindset

In what way have customers been changed as a result of the marketing program?

The impact of the marketing program is checked in terms of customer research, has the preference, intention to buy, and recommend the brand changes?

Market Performance

How do customers respond in the marketplace?

Ideally if program investment is going in the right direction, the brand communications will create positive responses from customers in the form of mindset change as well as behaviour change and market share of the brand will increase.Shareholder value In for profit companies, investors are keen to see returns on their investments in the form of increased shareholder value.

Multipliers

At every stage in the brand value chain there is a multiplier or a qualifier which has to effective in order to achieve the desired goals of building the brand.

Program Quality Multiplier

The ability of the marketing program to affect customer mindset and must be clear, relevant, distinct, and consistent

Customer Multiplier

The extent to which value created in the minds of customers affects market performance and It depends on factors such as competitive superiority, channel support, and customer size and profile

Market Multiplier

The extent to which the value generated through brand market performance is manifested in shareholder value and It depends on factors such as market dynamics, growth potential, risk profile, and brand contribution

The Brand Equity Measurement System

It is a set of research procedures that is designed to provide timely, accurate, and actionable information for marketers. They can make the best possible tactical decisions in the short run and strategic decisions in the long run using brand audits. A brand audit requires understanding the sources of brand equity from the perspective of both the firm and the consumer. From the perspective of the firm, what products and services are currently being offered to consumers and how are they being marketed and branded? From the perspective of the consumer, what deeply held perceptions and beliefs create the true meaning of brands and products?” Kevin Keller, Strategic Brand Management Assess how well the brand delivers against company objectives § Identify customer wants, needs, and trends at the category level Inventory and categorize brand portfolio elements and assets (trademarks, sub-brands, logos, taglines) § Evaluate the brand’s current image (how it is perceived by customers and other key stakeholders) § Identify potential sources of differentiation, tables takes and vulnerabilities.

A Comprehensive Brand Audit Involves

1. Corporate Information Company mission, vision and values statements, Financial performance and trends (e.g., revenue, profits, margins), Customer service records, Patents and other intellectual property
2. Industry Information Third party research about the competitors in the industry (e.g., financial analysts, syndicated market research, government agencies, industry associations), the company’s own research studies (e.g., tracking research, focus groups)
3. Marketing Information Current and past advertising and promotional collateral for the brand and competitors (within and beyond the specific category), Social media reports and conversation analyses.

Fig 4.9 Brand Audit

Three Circle Analysis

A comprehensive brand audit will reveal new growth opportunities for the brand, and new ways to make the brand resonate with a new generation of target customers who will represent the brand's bigger future. Completing a brand audit is a chance to take a fresh and objective look at the brand from a number of critical perspectives.

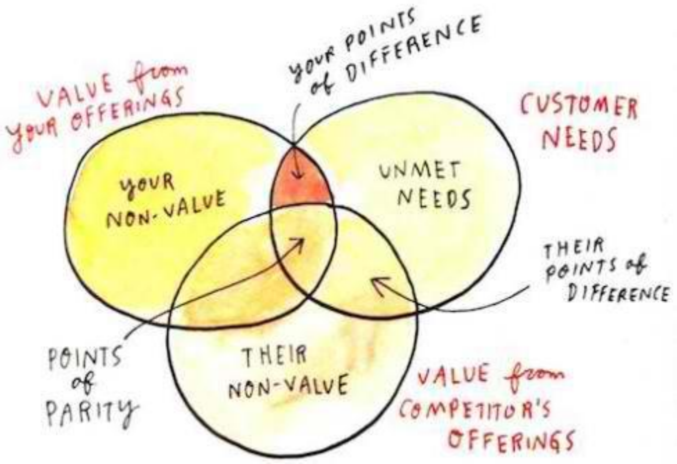


Fig 4.10 Three Circle Analysis

Image Source https//www.brandingstrategyinsider.com/brand-audit

This Type of Brand Audit is Called 3 Circle Analysis

1. **Potential Point of Differences**

   It focuses most attention on points of difference as potential sources of competitive advantage. It highlights potentially leverageable points of parity as well as unaddressed customer needs. If these are important to customers and if no one else is talking about them, or if the company's brand can talk about or deliver them uniquely, they may be more relevant and potentially more differentiating than 'points of difference.'

2. **Refocus on Customer Needs**

   It allows careful consideration of the brand's areas of 'non-value' features that may be differentiating or important to keeping up with competitors but that are not important to customers.

3. **Ensures Clarity of Competitors Point of Differences**

   It ensures a close look at potential points of vulnerability. The competitive landscape is dynamic, meaning today's advantage can be leapfrogged at any moment. Competitive intelligence is not the same as competitive insight. Brands need to keep a keen eye on competitors' points of difference as well as their own not just for today but for near term (3 -5 years) and if possible long term (10-15 years). Companies need to develop brand tracking procedures. Tracking studies involve information collected from consumers on a routine basis over time, often done on a "continuous" basis. These studies provide descriptive and diagnostic information.

   Tracking studies can be customized tracking surveys to address the specific issues faced by the brand. It usually includes product-brand tracking, corporate or family brand trackingand global tracking.

Model Questions

1. What is a brand?
2. What are the challenges in branding?
3. What are the different types of brands?
4. Distinguish between brand image and brand identity?
5. Who are the stakeholders of brands?
6. What is a brand identity?
7. What are the challenges in brand identity creation?
8. What are the key aspects of good brand identity?
9. Distinguish between picture of sender and picture of receiver concepts of brand identity?
10. Who are the components of brand identity as per Kapferer?
11. What is a customer-based brand equity?
12. Examine the CBBE pyramid?
13. What are the key aspects of good brand resonance?
14. Explain Brand wheel with an example?
15. What is brand mapping?
16. What is a brand mantra?
17. Explain how a consumer evaluates brand mantra?
18. What is brand positioning?
19. Explain POP with an example?
20. What POD with an example?
21. What is a brand Value Chain?
22. Explain how the 3 circle analysis works?
23. What is brand audit?
24. Explain brand audit process?

25. Explain role of consumer research in branding?

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1. Strategic Brand Management. Building, Measuring, and. Managing Brand Equity. Kevin Lane Keller. Tuck School of Business. Dartmouth College. 4e.
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Chapter 5 Brands, Branding & Brand Equity

Introduction

Brands may be linked to other entities that have their own knowledge structures in the minds of consumers, based on which consumers may assume or infer that some of the associations or responses that characterize the other entities may also be true for the brand. This indirect approach to building brand equity is called leveraging secondary associations.

Structure

- 5.1 Leveraging Secondary Associations to Build Brand Equity
- 5.2 Integrating Marketing Communications to Build Brand Equity
- 5.3 Offline and Online E-Branding Strategies
- 5.4 Line and Category Extensions
- 5.5 Brand Architecture Umbrella branding/ Branded House and House of brands

5.1 Leveraging Secondary Associations to Build Brand Equity

Brand associations may themselves be linked to other entities, creating secondary associations. Company (through branding strategies) Creating strong perception regarding corporate brand or company values, ethics, etc. for example many Tata products carry a line in the Brand Signage declaring “A Tata product”.

Country of Origin (through Identification of Product Origin)

Before 2000, developed countries such as USA, Japan, and Germany are associated with high quality products and developing countries, such as China and Korea are associated with poorer quality products, however with major manufacturing of technology and other products shifting to China and other Asian and South Asian countries, the perceptions have also been changing.

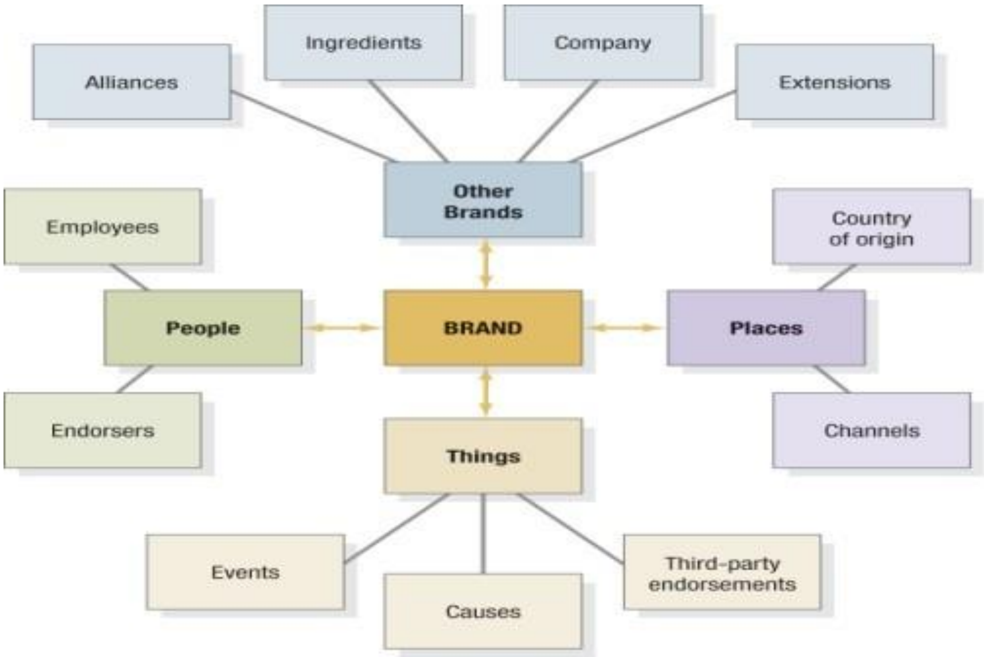


Fig 5. 1 Brand and its Associations

Consumers often identify and develop beliefs about the country of origin and capabilities to make specific products. For example

- Levi's Jeans United States
- BMW Germany
- Gucci Shoes and Purses Italy
- Consumers can also form associations based on region or state within a country such as Saffron from Jammu & Kashmir, Tea from Assam etc.

Channels of Distribution (Through Channels Strategy)

Customers may believe certain channels to be more authentic than others. The reputation of the channel partner affects the brand perception and vice versa. Many customers may not trust online e-commerce channels to purchase luxury brands for the fear of fake products. Other brands (through co-branding) Two or more well-known brands are offered together. The Consumer electronics company LG has co-branded with the bank SBI, Hindustan Petroleum has co-branded with ICICI bank

Special case of co-branding is ingredient branding. For example, "Intel Inside", an Intel processer in computers/laptops manufactured by different companies and Teflon coated Cookware. Characters (through licensing) Disney Pictures has an agreement with fast food company McDonalds for advertising its movies as Toys with McDonald's "Happy meal".

Celebrity spokesperson (through endorsement advertising) An example is of FMCG Indian company Dabur India, using Amitabh Bachan and M S Dhoni for Dabur Chavanprash for pan India and regional film and TV personalities for rural markets. Kajal Agarwal endorsed Dabur Amla Hair Oil in south India and Ravi Kishen was the brand ambassador for Dabur Lal DantManjan for Hindi Speaking belt in India. Events (through sponsorship) Many companies in rural markets associate themselves to events.

Lifebuoy has associated with Kabaddi and Football sports events. General Insurance Company has been associated with Kuma has and Pushkar melas.

Other third party sources (through awards and reviews) Brands use awards and recognitions in marketing messages to improve confidence among consumers. For example, various toothpaste brands are linked in India with Indian Dental Association, British Dental Association, etc.

Conceptualizing the Leveraging Process

- Creation of New Brand Associations Brands can choose to create new brand associations, for example Kellogg’s Cornflakes have been promoted as 4 PM evening Snack for school going children (earlier promoted only as breakfast cereal). This is an attempt at creating new association for the brand.
- Effects on Existing Brand Knowledge
    1. Awareness and knowledge of the entity Whenever new associations are added, the aim of the marketer is to increase the awareness and knowledge of customers about the entity.
    2. Meaningfulness of the knowledge of the entity the marketing team has to be careful in ensuring that the new entity chosen must help in deepening the meaningfulness of the brand.
    3. Transferability of the knowledge of the entity Sometimes when brands use celebrities to build secondary associations, the transferability may be hampered if the celebrity is not a good fit with the brands values.

Fig 5.2 Example of Brand Celebrity

One example of Brand-Celebrity mismatch can be, the Hollywood Film Star Pierce Brosnan endorsed an Indian Pan Masala Brand-Pan Bahar.

Guidelines

1. Commonality consumers have associations to another entity that are congruent with desired brand associations
2. Complementary how much value of the entity brand would add to the existing brand.

Understanding Transfer of Brand Knowledge

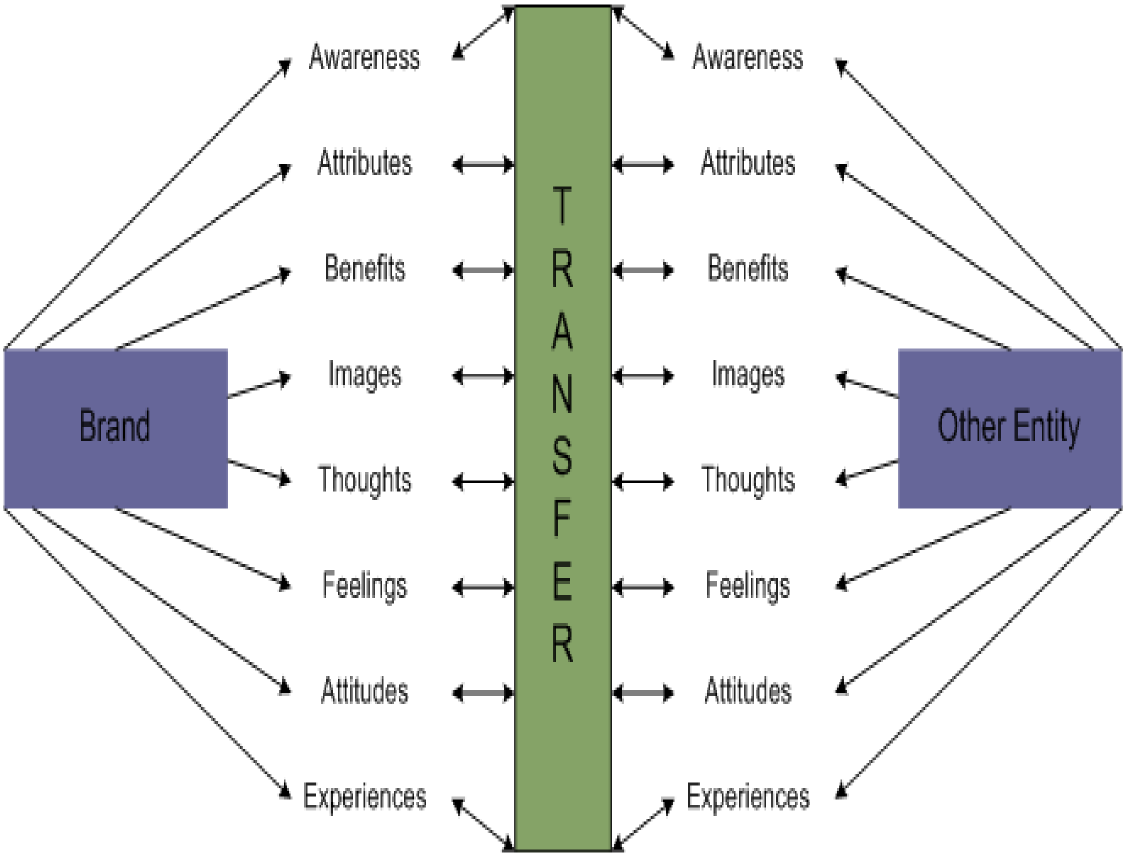


Fig 5.3 Understanding Transfer of Knowledge

The aim of leveraging secondary associations is to ensure that brand knowledge is transferred in terms of awareness, attributes, benefits, images, thoughts, feelings, attitudes and experiences.

5.2 Integrating Marketing Communications to Build Brand Equity

Marketing communications are various messages by which firms attempt to inform, persuade, and remind consumers about the brands they sell

- Marketing communications can contribute to brand equity by
- Creating awareness of the brand
- Linking points-of-parity and points-of-difference associations to the brand in consumers' memory
- Eliciting positive brand judgments or feelings
- Facilitating a stronger consumer-brand connection and brand resonance

Box 5.1

Leveraging Secondary Associations using Celebrities by Swacch Bharat Mission

The advertisement featured KanganaRanaut as Goddess Lakshmi who abandons worshippers who dare to litter in her presence. The advertisement sent Ut a very strong ‘Say No To Littering’ message.

Pedestrians in Mumbai were unable to use the footpath across the Bandra Reclamation Bus Depot as it was dumped with litter and garbage. The footpath was being misused as a place where people went to urinate or defecate in the open. The master blaster decided to clean up and beautify that stretch in order to make people aware of the Swacch Bharat Mission.

https://swachhindia.ndtv.com/mycleanindia-celebrities-spreading-swachh-message-5207/

Marketing Communications Options

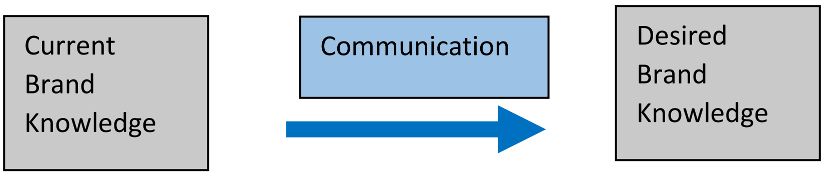
There are several options for brands to choose from

1. Media Advertising TV, radio, Newspaper, Magazines
2. Place or Out of Home Media Billboards and posters, movies, airlines, product placements in retail or other areas, point of purchase
3. Sales Promotions are of 2 types, trade and consumer.
   Trade promotions Point of purchase displays at channel members locations, wholesales, retail, intermediaries etc, contests and dealer promotions, trade shows, co-operative advertising.
   Consumer promotions samples, discounts, premiums, bonus packs etc

4. Event sponsorships sports, arts, entertainment, fairs and festivals, cause related campaigns
5. Online and mobile channels such as websites, interactive advertisements, social media including, face book, twitter, LinkedIn, search engine marketing, mobile applications etc
6. Personal Selling Business to Business companies utilize personal selling as a major channel. Sales and business development executives meet customers and persuade them to prefer the company's products.
7. Direct Marketing Some companies choose to eliminate middle-men or intermediaries and directly market their products to end customers. Such customers can use mail order catalogues/ online e-commerce websites or TV advertising. Products are directly shipped to the customer.
9. Public Relations Publicity is non personal communications such as press releases, media interviews, press conferences, feature articles, newsletters, annual reports, etc.

Challenges in Designing Brand-Building Communications

Ensuring Right Customer Knowledge



Most marketing teams would conduct a simple marketing communication effectiveness test to answer the following questions

1. What is the customer's current brand knowledge? Has the company created a detailed mental map?
2. What is the desired brand knowledge? Has the company defined optimal points of parity and points of difference and a brand mantra?
3. How does the communication option help the brand get from current to desired knowledge position in the minds of target customers? Has the company clarified the specific effects on knowledge engendered by communications**?**

Information Processing Model of Communication

For a person to be persuaded by any form of communication the following steps must occur

1. Exposure A person must see or hear the communication.

2. Attention A person must notice the communication.

3. Comprehension A person must understand the intended message or arguments of the communication.

4. Yielding A person must respond favorably to the intended message or arguments of the communication.

5. Intentions A person must plan to act in the desired manner of the communication.

6. Behavior A person must actually act in the desired manner of the communication. Comparisons between different

Table 5.1 Types of Marketing Communications

	Advertising	Sales promotion	Public relations	Personal selling	Direct marketing
Communications					
Ability to deliver a personal message	Low	Low	Low	High	High
Ability to reach a large audience	High	Medium	Medium	Low	Medium
Level of interaction	Low	Low	Low	High	High
Credibility					
Given by the target audience	Low	Medium	High	Medium	Medium
Costs					
Absolute costs	High	Medium	Low	High	Medium
Cost per contact	Low	Medium	Low	High	High
Wastage	High	Medium	High	Low	Low
Size of investment	High	Medium	Low	High	Medium
Control					
Ability to target particular audiences	Medium	High	Low	Medium	High
Management's ability to adjust the deployment of the tool as circumstances change	Medium	High	Low	Medium	High

Kevin lane Keller's advice to marketers regarding designing marketing communication programs

1. ***Be analytical:*** Use frameworks of consumer behavior and managerial decision making to develop well-reasoned communication programs.
2. ***Be curious:*** Better understand customers by using all forms of research, and always be thinking of how you can create added value for consumers.
3. ***Be single-minded:*** Focus your message on well-defined target markets (less can be more).
4. ***Be integrative:*** Reinforce your message through consistency and cuing across all communication options and media.
5. ***Be creative:*** State your message in a unique fashion; use alternative promotions and media to create favorable, strong, and unique brand associations.
6. ***Be observant:*** Keep track of competition, customers, channel members, and employees through monitoring and tracking studies.
7. ***Be patient:*** Take a long-term view of communication effectiveness to build and manage brand equity.
8. ***Be realistic:*** Understand the complexities involved in marketing communications.

Box 5.2

Clean to Green: RLG group

Reverse Logistics Group (RLG) India, a leading global service provider of comprehensive reverse logistics solutions today announced the launch of its flagship campaign 'Clean to Green' in India. The campaign is focused on spreading mass awareness and sensitizing consumers on how and where to dispose electronics in a responsible manner. The campaign has been launched in compliance with the stringent e-waste management rules which are set to come into effect in India and will seek to minimize the impact of substandard ways of e-waste disposal on the environment. India is currently the fifth largest producer of e-waste in the world. Unfortunately, a mere 1.5 percent of the total e-waste produced in India is properly recycled. India is one of the most impacted countries, as approximately 18 lakh metric tons (MT) of e-waste is generated in India every year, which is estimated to grow up to 52 lakh (MT) by 2020. Electronics contain multitude of valuable recoverable materials such as gold, aluminum and copper as well as hazardous materials such as lead, mercury and cadmium. Proper and safe recycling of electronic waste not only keeps harmful toxins from polluting the air, soil, and water, but also reduces energy and water use associated with manufacturing new materials.

RLG India will manage and operate the Producer's Responsibility Organization "Clean to Green'' on behalf of producers to offer them a sustainable, reliable and efficient option to comply with their extended producer obligations. The specialized processes are completely funded by producers to enable consumers to recycle their electronic products free of charge. As a part of the Clean to Green campaign RLG will seek to work with the electronic industry and corporates to address the issue of e-waste and enable successful implementation of Clean to Green in the country to safely dispose and recycle electronics. RLG will channelize e-waste, arranging for direct pickup and processing, ensuring that valuable metals can be reused and recycled for future electronics with a commitment that no e-waste will ever end up in a landfill poisoning the environment.

Few Campaigns in Ahmedabad and Mumbai

Commenting on the Launch of Clean to Green in India, Ms. Radhika Kalia Managing Director, RLG India said, “Proper disposal and recycling of electronics is a national priority and the government has initiated a policy which showcases the seriousness of the issue. In alignment with the e-waste management rules initiated by the government of India, we are focused on working towards the betterment of the environment and the wellbeing of the society. We will leverage our highly innovative, comprehensive return management solutions, which enable manufacturers and distributors to actively drive product returns and thus facilitate multiple cycles of use.”

A key element of this campaign will be the focus on creating large-scale awareness in society through the ‘I Agree – Clean to Green ‘pledge in India. During the launch, RLG will encourage 50 RWAs, 20 schools and 5 offices in Delhi NCR as a pilot project to be an active part of their ‘I Agree – Clean to Green’ Pledge and help sensitize them about the importance of responsible disposal of electronics for a healthy environment. RLG will further scale up and take the campaign to 10 cities between 2018-19. The pledge will also be extended to modern trade centers. The company will create awareness about the importance of responsible electronic disposal through organized awareness drives in and around retail stores and RWAs and Clean to Green Clubs in schools where students will act as evangelists to spread awareness and sensitize children.

With a presence across 4 continents RLG is well poised to tackle the problem of e-wastage in India with standardized management and operational processes which include 31 collection points & warehouses, 7 dismantling facilities, 4 R2 certified recycling facilities. RLG India has also partnered with licensed hazardous waste treatment centers in India that meet its stringent health, safety and environmental standards. All partners undergo an approval process and their downstream processing chain is continuously reviewed to ensure that all materials are properly processed and recycled. The campaign tracks the mass flow of all materials collected and processed through a specially developed IT-based mass flow management system. In addition to return and disposal services, RLG’s services include reporting to the relevant authorities.

The company is committed to becoming an acknowledged contributor to India’s prosperity, healthy society and environment by providing a professional collection and recycling system for discarded electronic products.

RLG has a global presence with offices in over 20 countries in Europe, the Americas and Asia. We provide services in more than 80 countries managing over 700 million assets p.a. for some of the largest global OEM, e-commerce and retail organizations.

https://www.businesswireindia.com/reverse-logistics-group-launches-clean-green-campaign-promote-responsible-e-waste-recycling-india-56957.html

5.3 Offline and Online E-Branding Strategies

The role of brands and branding in the new economy that is characterized by digitization and globalization are attracting considerable attention. Taking the organizational perspective, the challenges for branding in online environments relate to the message capacity of Web pages, the need to integrate branding and marketing communications across different channels, the trend towards organizational value propositions, brands as search keys, the opportunity to link and develop brand positions.

In the context of the brand experience, key themes are customer control, customization and customer relationships, the help yourself nature of the medium, the increasing emphasis on experience, and the opportunity offered by m-commerce to revolutionize the brand experience. An online brand development strategy includes the following stages setting the context for the brand, deciding on brand objectives and message developing a brand specification developing a brand design, creating the Web site and other communications using the brand, launching and promoting the brand, building the brand experience, and finally, reviewing, evolving and protecting the brand.

"Digital channels and assets are used to communicate a brand's positioning (or purpose) as part of multichannel brand communication or engagement programmers". Digital capability is becoming more necessary for businesses that are seeking to build or enhance their brands through brand building programmes. Digital is a powerful tool for brands and with many brand-building benefits.

Fig 5.4 Digital Branding

Source https//www.smartinsights.com/online-brand-strategy/brand-development/digital-branding-definition/

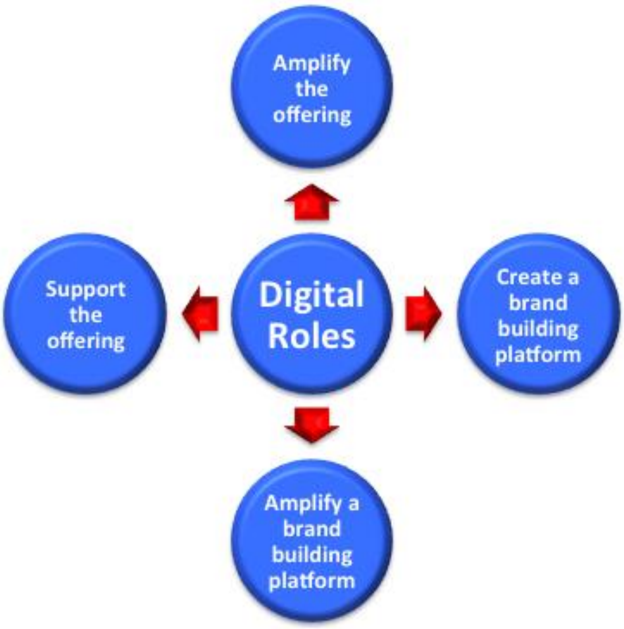


Fig 5.5 Role of Digital/Online Channels in Brand Building

Digital Mediums

WEBPAGES The message capacity of Web pages Web pages do not allow much scope for communicating messages as well as information about an organisation, and how to start navigating a site. Not only is the overall screen size for a home page relatively limited, but Webpages need to be designed to accommodate the different generations of technology that might be available to individual users. This includes variations in the speed of downloading of graphics, screen resolutions, number of colours, and the types of browser used.

Brands as Search keys

In a crowded Internet marketplace, the role of the brand symbol has reasserted itself. A unique brand name has an important role to play as a keyword in the search process. Unique brands that are well known and are not generic terms can be very effective as key words used with search engines. Even more important is the link between domain name and brand. Consistency between domain name and brand name can reinforce familiarity with the brand, and strengthen the message links between channel. For example, at the symbolic level, Barnes & Noble achieved this by retaining the offline parent brand Barnes & Noble, but launched using the same name, but in a different presentation, barnesandnoble.com

Search Engine Optimization

- Search Engine Optimization is the way toward enhancing rankings of a site or website page in the unpaid "organic" search lists. The way of the SEO is to make website pages rank higher in the search engine result pages (otherwise known as SERPs) to increase visibility, authority and Alexa scores. The higher a page positions, the more striking and unhidden it is, and along these lines will get more activity, traffic, and conversions.
- From the very starting, Search Engine Optimization played by a genuinely very much-characterized set of principles Optimize a page for particular Keywords, manage links from different sites that utilize your targeted keywords, etc

Some Best SEO Practices are

- Guest Blogging
- Public Relations
- Direct Mail
- Collateral Material
- Brand Evangelism, etc.

Organic SEO Online Marketing Practices

2. Pay Per Click (PPC)

- As an effective type of online marketing, pay per clicks is one of speediest types of marketing channels to drive targeted traffic to your web pages and related services. In any case, when done aimlessly, can cost an organization a huge number of dollars with almost no returns. It's one of my most loved lead generation practices in light of the fact that once your ad campaign is optimized, you're ready to compute a genuinely exact and profitable ROI.
- Whatever you do, but never go into PPC under the misguided judgment that you're recently going to target on several keywords, think of some copy, write them, and then watch the

money pour in long way from it really. With PPC, the whole objective is to transform latent users into engaged prospects and then engaged prospects into purchasers.

- To do this you should first lure clients to tap on a promotion and send them to the ideal landing page with content that matches the advertisement. The thought process behind this is that you need to keep similar phrasing all through the experience so your new guest stays engaged and involved all through the experience.
- Pay per click promotions are no longer displayed on the sidebar on search engines, and now they can be shown on niche sites, or they may also act as sponsored stories on different social media networks. PPC ads can be shown as product listing, or as a video ad. They are focused on, either via a search term, or by the site on which the pay per click promotion is shown or also by the profile interests.

3. Email

- Considered as one of the most important types of digital marketing channels, email marketing can be understood as the bridge between the highest point of your business channel (Awareness SEO, Social Media, and Internet Networking) and related sales. Certainly, email is not as hot as it's more youthful and hipper partner Social Media, yet it's a standout amongst the most immediate and private types of correspondence. Along these lines, it is yet a standout amongst the best types of marketing channels in terms of optimizing sales by ensuring engagements.
- The best email advertisers grasp the private way of email correspondences and take care to treat their email subscribers somewhat more special compared to non-subscribers. This should be possible by offering access to elite content, unique email subscribers' rebates, customized bargains, or other "insider" products not available to the outside audiences.
- Email is additionally a famous type of online marketing in light of the fact that, when your email campaigns are set up appropriately, you can attach correct dollar ads up to individual clients. This permits you to make fully targeted messaging that lets you comprehend where your client is in the purchasing cycle. Making email campaigns for each phase of the client lifecycle permits you to develop loyalty and more conversions.
- One significant hindrance for email advertisers is the steady development of spam channels in email programs. Organizations should likewise make guarantee their program does not disregard spam laws.

4. Video Marketing

YouTube is the second biggest search engine on the planet. Video can be amazingly social, and brilliant video advertisers are obscuring the lines of what's adequate for branded content. Videos act as one of the most interactive types of online marketing.

5. Blogging

- A blog is a channel. It can have recordings, podcasts, content articles, news subjects, offer affiliate marketing, give guideline or knowledge and it incorporates content that fills the channel.
- Blogging makes to the list of different types of online marketing channels on the grounds that dealing with that channel is truly an expertise all alone. Planning content, labeling and

ordering content properly, overseeing interior linking, upgrading navigations these are only a modest bunch of things that a genuine "blogger" oversees.

- Blog administration is basic to the achievement of the blog as its basic structure is the thing that aids search engines list your blog for the content you need to be known for, and guests to go to proper pages inside the webpage.

6. Content Marketing

- Content marketing is one of most powerful types of online marketing channel that continues flying around, yet not very many individuals (counting advertisers) truly comprehend what really matters to it.
- **Get Shared** The basic role of this sort of content is to spread all through a group and get most extreme exposure. For the most part, this sort of content will interest the distinctive extremes of your market's identity. This should be possible through funniness, stun, inspiration, pity, outrage, being astoundingly cool, making individuals grin, charming, or inconceivably genuine. The trap for something to "be viral around the web" is that it needs to speak to a vast gathering of individuals.
- **Get Discussed** The objective of this sort of content is to begin a discussion inside a group. This should be possible by utilizing huge news things, tending to a common issue, uncovering a grimy mystery (or truly any debate) or making an important evolving asset. When hoping to make discussion content, there is one particular reason, get individuals talking.
- **Generate Leads** While the initial two sorts of content advertising are basically about bringing issues to light, getting the lead conversion procedure to work appropriately is about making content that gets your prospects to first recognize their issue, and then say, "I require your assistance". From that point forward, it's about offering an answer to settle that issue.
- **Make Sales** This is fundamentally the same as "lead content" and the reasons this sort of "offering" content happens is because conversion is must to channelize any successful online marketing campaigns, and by making sales through your content, you can ensure conversions.
- Content marketing needs to dependably have one of these four objectives at its center with a specific end goal to keep it well targeted.

7. Social Media

- Amongst different types of online marketing, Social Media is youngest and as appealing as innovative and powerful.
- Typical social networking sites like Facebook, Google+, Twitter, YouTube, LinkedIn, Pinterest, etc, additionally there are niche networks, forums, discussions, dynamic blog groups, and wherever there's dynamic two-way discussion happening.

8. Network Marketing

- Despite being two different types of online marketing channels, Network Marketing and Social Media have comparable roots, and network marketers take the work the web-based social media advertiser does, and in addition, they make it go to next level. On the off chance that the Social Media advertiser's job is to distinguish the smaller networks and target to the aggregate outlook of the gathering while recognizing the influencers, the network marketers' occupation is to assemble associations with those influential people/ marketers/ professionals.

- By using those relationships in more advanced and result-oriented fashion, the most striking attribute of these network marketing is their capacity to associate individuals inside their own particular system with each other. Immediately the network-marketing experts can prescribe a modest bunch of specialist co-ops of various aptitude levels and value ranges. Network marketers generally invest a considerable measure of time in messaging, remarking on online journals, collaborating in discussions and ensuring conversions.
- The network-marketing specialists understand that for any bit of substance to "Turn into a web sensation", the substance must be great, as well as "plant seeds" with the greater substance wholesalers/distributors/influences. On account of their unlimited network, the network marketers have a really strong comprehension of what substance will pick up the consideration of a specific system, and hence they ensure better engagement with audiences on all the possible networking channels and ensure more traffic, authority and sales.

9. Affiliate Marketing

- Amongst other types of online marketing channels, there is affiliate marketing wherein another person sells your item for you, or selling somebody else's item is involved. This might also be called as a commissioned sales job. The individual who is offering the item may utilize one of the greater parts of the strategies on this rundown to sell an affiliate product.
- Each affiliate-marketing program has its own guidelines, controls, and prerequisites for a dealer to be acknowledged and stay in the program. Many affiliate marketers will give their own one of a kind substances in addition to the affiliate service or product to construct the estimation of the deal. The individual or organization who creates the affiliate item likewise confronts their own set of difficulties. In the first place, they should make an item that is valuable, and then locate the correct individuals to offer their item and offer a commission that is alluring.
- The affiliate service or product designer should likewise make a special effort to make a standard arrangement of advertising materials that can be adjusted for their associates to offer. This could incorporate email swipe duplicate for email automated responders, an assortment of banner in all sizes, recordings, videos and also pamphlets or newsletters to advise members about advancements and strategies that are working.

10. Contextual Marketing

- In its original form, contextual marketing can be understood as a type of online marketing that in involved in discovering new opportunities all through the web and making funnels that lead back to your website. Not at all like web-based social networking in any case, this kind of online marketing happens outside of interpersonal organizations. Some of the tactics of contextual networking are-
- Guest Blogging
- Purchasing reviews from bloggers
- Contextual marketers will search for various opportunities to advance their business, paying little mind to the medium being utilized to do it. A contextual marketer is the nearest thing

the web finds similar to traditional media firms, in light of the fact that contextual marketer searches for each chance to advance brand image of their business.

- The essential distinction between network marketer and contextual marketer is that while network marketer is responsible for overseeing long-term connections, contextual marketer is centered around finding important stages and building sheer numbers to increase business sales. Contextual marketers need to find the platform with great number of audiences overlaps, as this lets them ensure the optimized presence for their brands.

Some Noticeable Tools for Contextual Marketers are-

- Follower Wonk for finding overlaps in social media networks
- Open Site Explorer to find out who's linking to the high-ranking pages for any particular keyword
- Similar Sites this is a plugin used to find sites similar to the one you're trying to find out

Linking Offline and Online Channels of Branding

New buying behaviours, channels and technologies provide more ways of delivering engaging, consumer-centered brand experiences. Use the right segmentation to communicate with your target consumer to build brand value and loyalty, putting the customer at the center of everything you do.

In summary, success in digital will comprise participating in a wide range of online activities integrated with offline brand events. An integrated approach is key rather than seeing digital as tactical, experimental, a way of providing great content and an easy way of measuring effectiveness. The overall aim should be to deliver an authentic and consistent total brand experience that is aligned with the brand's strategy, positioning and purpose.

Box 5.3

DBS #RecycleMoreWasteLess**Social Media Campaign**

A campaign focused on nurturing entrepreneurs that work hard to make the Earth a cleaner, greener and inclusive place, #RecycleMoreWasteLessSocial reinforces DBS Bank's support of Social Innovators.

What stands out though, is how they have broken free from the cut and dried CSR campaign stereotypes and chosen a fast-paced, fun take which speaks the language of millennials. The atypical storytelling makes for highly shareable videos and makes doing good look "cool", inspiring you to join the movement. Shiryans for instance, built Green Sole to recycle old shoes to create new footwear, aimed at eventually clothing every pair of feet without utilizing more resources. DBS also introduces us to Sampurn(E)arth and its founders Debartha, Jayant, and Ritwik who strive to make the Earth's future brighter, by their smart, decentralized Waste Management Solutions.

#RecycleMoreWasteLessSocial has a conversational style and comical voice over with light-hearted undertones. The clever insertion of key facts and figures within this space, makes for consumable and useful content, a smart way to stand-out from generic campaigns. The BFSI brand also created several interactive elements such as environmental quizzes and waste-segregation games to reach out to a wider audience base, targeting digital natives. Further, the brand latched on to trending topics such as post-festival litter to drive their important message in a contextual way across platforms. Keeping true to their human and approachable tone DBS roped in popular social media personality, Jose to speak about waste management and the importance of recycling in his typical relatable style. With witty captions and hard-hitting messages, the brand resonated with their target audience of 25-40 AA across the top 6 Metros. There is even an option for the audience to get connected to the social innovators – **Green sole** and **Sampurn(e)art** through the DBS website to increase positive impact. The videos have already garnered more than 10 million views with 1.2 million engagements and growing. With a fun and friendly approach, #RecycleMoreWasteLessSocial makes the audience a part of the story and frankly sets a new benchmark for socially-responsible messaging.

Videos available at:

https://youtu.be/tQcx3-k4tfs

https://youtu.be/rTpvefFEF0U

http://www.socialsamosa.com/2018/11/dbs-banks-recyclemorewasteless-sets-a-new-tone-for-csr-

5.4 Line and Category Extensions

- The rows of the matrix represent brand-product relationships and capture the brand extension strategy of the firm in terms of the number and nature of products sold under the firm's brands.
- A brand line consists of all products—original as well as line and category extensions—sold under a particular brand. Thus, a brand line would be one row of the matrix.

Table 5.2 The Brand-Product Matrix

Product	1	2	3	4...
Brands				
A				

B				
C				
D…				

A potential new product extension for a brand must be judged by how effectively it leverages existing brand equity from the parent brand to the new product, as well as how effectively the extension, in turn, contributes to the equity of the parent brand

- The columns of the matrix, on the other hand, represent product-brand relationships and capture the brand portfolio strategy in terms of the number and nature of brands to be marketed in each category.
- The brand portfolio is the set of all brands and brand lines that a particular firm offers for sale to buyers in a particular category. Thus, a brand portfolio would be one particular column of the matrix.
- Definition A product line is a group of products within a product category that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same type of outlets, or fall within given price ranges.
- A product mix (or product assortment) is the set of all product lines.
- Thus, product lines represent different sets of columns in the brand-product matrix.

Brand Extension When a firm uses an established brand name to introduce a new product it is termed as brand extension.

Brand Extension Classification Line Extension and Category Extension

Line Extension Using a sub-brand to target a new market segment within the same product category. For example, companies having a tea brand say “BRAND X” can introduce a new variant of tea such as Peppermint flavoured tea (BRAND X peppermint). Thums Up has launched a stronger drink named Thums Up Charged.

Category extension Using the parent brand in a different product category. For example, a tea brand (BRAND X Tea) can be used to launch a new juice brand with same brand Name (Brand X Coffee). Tea and Juice being different product categories. When Nestle company launched Soups under the brand name Maggi, it was Category extension from Noodles to Soup.

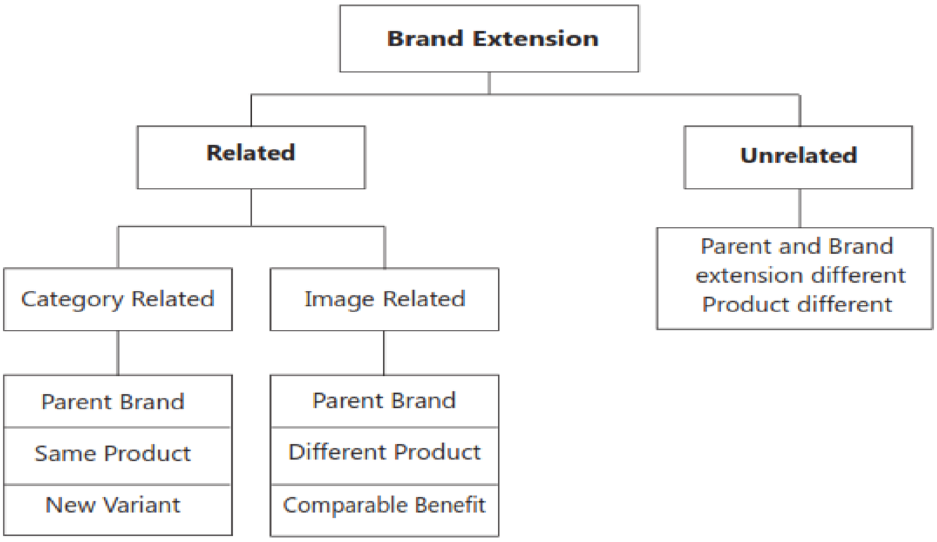


Fig 4.10 Brand Extension

Image source https//www.sibm.edu/assets/pdf/brandextension.pdf

General Strategies for Establishing a Category

- Introduce the same product in a different form. Example Dettol antiseptic liquid (earlier antiseptic soaps were available)
- Introduce products that contain the brand's distinctive taste, ingredient, or component. Example
    - Maggi tastemaker, having similar ingredients as Maggi masala Noodles.
- Introduce companion products for the brand. Example Shampoo and Conditioner with hair oil
- Introduce products relevant to the customer franchise of the brand. Example SBI bank and SBI life Insurance and SBI home loans
- Introduce products that capitalize on the firm's perceived expertise. Example Honda lawn mowers **(**more famous for Honda cars)
- Introduce products that reflect the brand's distinctive benefit, attribute, or feature. Example Lysol's "deodorizing" household cleaning products
- Introduce products that capitalize on the distinctive image or prestige of the brand. Example Titan Launching Perfume brand Titan Skinn.

Advantages of Extensions

- Improve brand image
- Facilitate new product acceptance
- Reduce risk perceived by customers
- Increase the probability of gaining distribution and trial
- Increase efficiency of promotional expenditures
- Reduce costs of introductory and follow-up marketing programs
- Avoid cost of developing a new brand
- Allow for packaging and labeling efficiencies
- Permit consumer variety seeking
- Provide feedback benefits to parent brand

- Clarify brand meaning
- Enhance the parent brand image
- Bring new customers into brand franchise and increase market coverage
- Revitalize the brand
- Permit subsequent extensions

Disadvantages

- Can confuse or frustrate consumers
- Can encounter retailer resistance
- Can fail and hurt parent brand image
- Can succeed but cannibalize sales of parent brand
- Can succeed but diminish identification with any one category
- Can succeed but hurt the image of the parent brand
- Can dilute brand meaning
- Can cause the company to forgo the chance to develop a new brand

How Do Customers Evaluate Extensions?

Managerial assumptions Most companies conduct market research to analyses the proposed extensions and look for synergies with existing brand portfolio. Managers assume certain anticipated responses from customers.

- Consumers have some awareness of and positive associations about the brand in memory
- At least some of these positive associations are evoked by the brand extension
- Negative associations are not transferred from the parent brand
- Negative associations are not created by the brand extension

Creating Extension Equity

1. Salience of parent brand associations in the minds of consumers in the extension context
2. Favorability of any inferred associations in the extension context
3. Uniqueness of any inferred associations in the extension context

Criteria for Successful Extensions

- Must create points-of-parity and points-of-difference in extension category
- Must recognize competitive reactions
- Must enhance points-of-parity and points-of-difference of parent brand
- Must maximize the advantages and minimize the disadvantages of brand extensions

Evaluating and Launching Brand Extensions

- Define actual and desired consumer knowledge about the brand
- Identify possible extension candidates
- Evaluate the potential of the extension candidate
- The likelihood that the extension will realize the advantages and avoid the disadvantages of brand extensions. As with any new product, analysis of consumer, corporate, and competitive factors can be useful.
- Design marketing programs to launch extension

- Building brand equity for a brand extension requires choosing brand elements, designing the optimal marketing program to launch the extension, and leveraging secondary associations.
- Evaluate extension success and effects on parent brand equity If they see some basis of "fit" or similarity between the proposed extension and parent brand

The major mistake in evaluating extension opportunities is failing to take all of consumers' brand knowledge structures into account.
Often, marketers mistakenly focus on only one brand association and ignore other potentially important

Brand Associations in the Process

Veolia Group: Global Waste Management Company
Veolia is the world reference in the management of solid or liquid non-hazardous or hazardous waste**.** The Company is involved in the entire waste life cycle, from collection to final treatment, and makes its recovery a priority**.** As a stakeholder in the circular economy**,** Veolia develops innovative solutions to increase the rate of waste recycling and conversion into matter or energy. The company has entire line extensions in waste management

Waste Collection
Household waste, non-hazardous commercial and industrial waste, construction waste, organic waste, hazardous industrial and commercial waste: the diversity of waste categories makes their collection a logistical challenge. Veolia offers multiple collection systems adapted to the territorial and economic stakes of its customers. Waste of the same nature is gathered in collection centers where it is compressed before being sent to an appropriate sorting or treatment site.

Waste Material Recovery
Veolia transports solid waste to specialized sorting centers. Waste resulting from the selective collection of household waste and non-hazardous industrial and commercial waste is sent to high performance sorting centers managed by the Group. Many patented processes, such as auto-adaptive sequential sorting (TS2A), are used to achieve recovery rates of up to 95 %. The recovered waste then becomes secondary raw materials for industry. Veolia also recycles complex waste, such as batteries and electronic cards.

210 Sorting Centers and 390 Transfer Platforms Managed by Veolia in 2016.

Waste-To-Energy
Non-recyclable non-hazardous waste is transported to incineration plants or landfills. The incineration process produces energy in the form of steam which can either supply district or industrial heating networks, or be converted into electricity using turbines. The electricity generated is used to power the national distribution network. Veolia captures the gas generated by the fermentation of organic waste in its landfills. This biogas can be directly delivered to a distribution network, used to produce electricity through turbines or engines, or used as fuel for vehicles. Veolia operates 63 household waste incineration plants and 53 non-hazardous waste landfills equipped with biogas recovery systems

Material Recovery of Organic Waste

Sewage sludge, green waste and organic waste from households or the catering industry, the food processing industry or the agricultural sector are recovered by subsidiaries specialized in the treatment of organic waste. Treatment is either achieved through controlled composting or anaerobic digestion in biogas plants.

The compost produced is used as fertilizer for agriculture and the methane generated by fermentation is recovered using the same procedures as those for landfill biogas.

Treatment of Hazardous Waste

Veolia is a world leader in hazardous waste treatment, recycling, and recovery and soil remediation thanks to its specialized subsidiaries.

According to their origin and composition, hazardous waste can be incinerated or physiochemically treated in dedicated facilities or stabilized and buried in special landfills.

Veolia owns 27 incineration plants dedicated to hazardous industrial waste, 46 physicochemical and stabilization plants,
15 hazardous waste landfills and 35 specialized recycling plants.

Dismantling and Remediation

Veolia manages projects to dismantle industrial plants and equipment which have reached the end of their service life, such as aircraft, ships, trains and oil platforms. The Group disassembles, removes asbestos, recovers recyclable materials, treats non-recyclable waste and provides site remediation.

Veolia is also involved in rehabilitating areas where the footprint of older pollution still exists: brownfield redevelopment, cleaning up accidental spills and upgrading of industrial sites.

Urban Cleaning

Cleanliness is a determining factor of cities' attractiveness as well as a public health and security issue for citizens.

Veolia offers a continuous urban cleaning service based on a performance commitment which includes the maintenance and cleaning of public areas, mechanized street cleaning services and treatment of façades. The Group has also developed emergency services to handle accidental pollution on public roads or industrial sites.

Industrial Maintenance and Cleaning

For its industrial customers, the Group services and maintains production lines and provides a full range of specialized services to optimize the performance of production facilities and extend their service life.
https://www.veolia.com/en/veolia-group/profile/business-activities/waste-management

5.5 Brand Architecture Umbrella Branding/ Branded House and House of Brands

The branding strategy of the firm which tells marketers which brand names, logos, symbols apply to which new and existing products.

Brand architecture is the logical, strategic and relational structure for the company's brands or put another way, it is the entity's "family tree" of brands, sub-brands and named products. Two shorthand terms are often used to describe how an organization manages its brand architecture

1. "Branded house" implies that most or all products and services provided by that organization primarily bear the organization's brand name. FedEx, Google, Coca-Cola and Virgin for example.
2. "House of brands" implies that the organization's products and services bear a wide variety of brand names as opposed to the organization's brand name. The Kraft Heinz Company, General Motors, PepsiCo and Procter & Gamble for example.

Role of Architecture

Clarify-Brand Awareness

Improve customer understanding and communicate similarity and differences between individual products

Improve-Brand Image

Maximise transfer of equity to/from the brand to individual products to improve trial and repeat purchase

The Purpose of Brand Architecture is to Addresses each of the Following

- What the overarching branding approach is master brand, brand/sub-brand, endorsed brand, standalone brands, including or some combination of these
- How many levels of branding should exist?
- What types of brands exist at each level?
- How brands at different levels relate to each other, if at all
- Decision rules for creating new brands
- Which brands' identities are dominant and which ones are recessive?
- What types of names the organization uses coined, associative descriptive or generic descriptors and in which circumstances (usually controlled by decision rules)?
- Which brands are features in each and every media, vehicle, situation and circumstance (e.g. business cards, stationery, product catalogs, website, shipping boxes, vehicle signage, employee uniforms, building signage, etc.)?

Examples in India

Multi-category FMCG Unilever has, according to one estimate, 22 brands in Hair Care alone. Sun silk, Suave, Tresemme and Clear are some brands on that list. This gives Unilever a powerful position in Hair Care but also brings the need for organization and discipline. Brand Architecture helps Unilever do that through the House of Brands Model.

Another use of Brand Architecture is brand extension. This is when a brand stretches its core equity across multiple categories. There's a Borrow-Build aspect the extension borrows equity from the original category and builds new equity into the brand from the extension category. Brand Extension tends to be more complex and throws up two of the remaining three buckets Branded House and Endorsed House models. Apple present in computers, tablets, mobile handsets etcis an example of the former and the TATA group of the latter.

A third type is the Hybrid House, which as the name suggests is an approach that doesn't fit into the other buckets and uses principles of all three. Marriott with standalone brands such as the Ritz Carlton in the House of Brands model and Courtyard by Marriott in the Endorsed House model is an example of this.

Reliance, the iconic Indian business house, uses a Branded House model. Reliance enjoys widespread admiration and respect based on the owners' business acumen and financial mega-success. They brand their businesses Reliance from petrochemicals and telecom to supermarkets, electronics retail and jewelry. This demands a lot from the Reliance brand by asking it to stretch across a wide range of very diverse businesses, each with different drivers of success. It also exposes the brand name to greater risk if Reliance's brand equity creating factors become vulnerable for any reason, the entire Branded House will be affected. This is a common issue for any Branded House architecture. It is more than likely that Reliance's decision makers have looked at this closely and feel the benefits of a Reliance Branded House outweigh its risks.

Kapferer's Branding System

Kapferer classified brand naming to be of 4 types

- Product Brand (Ariel, tide and Dash by P &G) similar to house of brands approach
- Line brand Across different products (Chevrolet GM), a separate brand name for each product/category line
- Range Brand or Umbrella brand (Maggi food range), similar to branded house approach

Some business to business organizations use the Corporate brand strategy (all services are under same brand). IT Services companies use this strategy for example, Infosys, Wipro Technologies etc.

- A corporate brand is distinct from a product brand because it can encompass a whole new set of associations
- It's a powerful means to express the company philosophy in a way that is not tied to the product or the service

Umbrella Branding/ Branded House represents a marketing practice which involves selling many related products under a single brand name. Therefore, it involves creating huge brand equity for a single brand. In practice, implementing umbrella branding can be challenging marketing for the marketer because he needs to effectively coordinate amongst all individual brands. But in reality, it can be an amazing advantage as well.

The basic idea behind this strategy is to enhance marketability of products and it follows the psychological concept that any product that carriers the same brand name is produced using the same high standards of quality. So, a brand may have 10 product lines, but the trust on that brand, leverages the attributes of all the 10 product lines.

For Example, Apple is an umbrella brand for a set of distinct but related products like the IPhone, IPad, Mac Book & other accessories. In the FMCG sector Nivea acts as another Umbrella brand with a wide array of products like cream, soap, powder, deodorant etc.

Pros

- More efficient to communicate and manage enables a more cost-effective means of announcing new companies and product launches
- Streamlines (and can help drive) decision-making for company structure and growth
- Any new addition to the company portfolio automatically gains a level of acceptance and importance because of the public's previous identification with the parent brand
- Simplifies messaging to employees, customers, analysts, agents, and distributors
- Better aligns organization internally and externally
- A combined entity is perceived to have more staying power, suggests strength, and is just easier to remember and recognize
- Customers buy products and services more on attributes of company, rather than just relying on product attributes
- Strong corporate brands have been proven to better preempt competition/defend market share, and to also improve loyalty indicators (there are brand studies that show investing in a corporate brand can improve shareholder value)

Cons

- Ambiguity issues could become a problem if your offering becomes too broad (it may be harder to define what you sell)
- Company management has to be committed and is required to work more closely together
- Bad news more likely impacts all company entities

House of Brands Approach

Consumer products companies like Proctor & Gamble engage in this practice because they have thousands of products and invest heavily in building those individual brands. The role of the master brand is to contribute or defend things like vision, strategy, attraction, and even premium pricing. Whereas, product brands deliver on market needs and preferences. Sub-brands strengthen the master brand.

Pros

- Each brand is free to fight its battles on its own terms, unfettered by the meaning of the parent brand
- Can leverage equity (but only if there has been some investment in building it previously)
- Can impact customer retention (again, only if investment in brand exists)
- Reseller/agents may prefer this approach so that they can sell their own brand label
- May shield the corporate name in the event of problems or negative news and divestiture issues

Cons

- Typically, more expensive and complicated to manage, especially if acquisition rate is high
- Makes it difficult to align businesses and inform decision-making around acquisitions

- Managing corporate image is a challenge, as multiple brands can muddle your core message—no one knows who you are or what you stand for, especially if the product brands are non-descriptive (such as numerical series, etc.)
- Customers tend to rely more on product attributes to make decisions and purchase (particularly problematic if they shop on price, or with commodity products)

Model Questions

1. What are secondary associations?
2. Which types of secondary association is best for rural brands and why?
3. What is ingredient branding?
4. Explain co-branding with an example?
5. What are the pros and cons of using celebrity endorsements?
6. What are the different media of integrated marketing communications?
7. Which types of media is best for rural brands and why?
8. What is PR and how can it be linked to branding?
9. Explain information processing model of communication with an example?
10. What are the pros and cons of using Personal Selling?
11. What are the different media in Digital Marketing?
12. Which types of digital media is best for rural brands and why?
13. What is SEO and how can it be linked to branding?
14. Explain how Facebook can be used for branding with an example?
15. What are the pros and cons of using blogging?
16. What is the logic of line and brand extensions?
17. What are the types of brand extensions?
18. Distinguish between line and category extension with an example?
19. Explain how brand extensions help parent/mother brands?
20. What are the pros and cons of using brand extensions?
21. What is the difference between branded house and house of brands?
22. What is a hybrid branding strategy?
23. Give examples of Indian companies using branded house and house of brands?
24. Explain pros and cons of branded house?
25. Do internet-based research on the reasons for the merger of Gold Plus brand with Tanisha brand?

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Block 2

Marketing of Waste Management

Swachhta Action Plan

Mahatma Gandhi National Council of Rural Education

Department of Higher Education

Ministry of Human Resource Development, Government of India

Hyderabad - 500004

सत्यमेव जयते

Where there is Rural Wellbeing there is Universal Prosperity

Contents

Chapter 1 Overview of Marketing

1.1 Introduction

The global waste management market size is expected to reach $484.9 billion by 2025 from $303.6 billion in 2017, growing at a CAGR of 6.0% from 2018 to 2025. Waste management is the process of treating solid wastes, and involves different solutions to recycle items. It includes activities from its inception to final removal, such as collection, transport, treatment, and disposal of waste along with inspection and regulation. Advanced Disposal Services, Veolia Environment S.A, and Biffa Group are some of the leading key players operating in the waste management industry is explained.

Objectives

1. To understand the definition of 'waste'.
2. To get clear classification of different types of waste
3. To get a fair picture of the reasons of slow acceptability of recycled product in the market.
4. To understand how demand of recycled products can be enhanced and made sustainable.
5. To get an idea of which products can be recycled
6. To understand what are various recycled product categories
7. To understand how organizations, take their marketing decisions
8. To find how actions are taken by organizations regarding its product, pricing, promotion and placement.
9. To understand what is meant by product branding.
10. To study how branding is done.

Structure

- 1.1 Introduction
- 1.2 Issues in Waste Marketing, Consumer Behavior
- 1.3 Product categories in waste management
- 1.4 Four P's or Seven P's
- 1.5 Branding the product, Product Features

Increase in environmental awareness, rapid industrialization, surge in population, and rise in urbanization foster the growth of the global waste management market. In addition, implementation of stringent government norms toward open dumping is expected to fuel the market growth.

Furthermore, uncollected waste and dumping are impacting on health directly or directly, which is expected to increase demand for waste management services. However, lack of awareness in developing countries and dearth of investments in solid waste management framework impede the market growth. The impact of the driving factors is expected to surpass that of the restraints hence, the market is projected to grow at a CAGR of 6.0% from 2018 to 2025. Furthermore, emerging economies in Asia Pacific and LAMEA have focused on adopting solid waste management solutions, which is expected to spread awareness and increase utility of these systems in the near future.

Fig 1.1 Global waste management market by service

The waste management market is segmented based on waste type, service, and region. Based on waste type, the market is bifurcated into municipal waste and industrial waste. In 2017, the municipal waste management segment dominated the market, in terms of revenue, and is expected to maintain this trend in the coming years. By service, the market is classified into collection services (collection & transportation, storage & handling, and sorting) and disposal services (landfills, recycling, composting & anaerobic digestion, and others). Among these, the disposal service segment is anticipated to dominate the global waste management market throughout the forecast period.

Region wise, the market is analyzed across North America, Europe, Asia Pacific, and LAMEA. Europe is expected to dominate the waste management market in the near future, owing to increase in favorable government initiatives along with high-end technology adoption by management services. However, Asia Pacific is anticipated to drive the demand for waste management services, due to the presence of densely populated countries such as China and India, where an increase in urban penetration is being witnessed. Moreover, government initiatives in India, such as Swachh Bharat Abhiyan, are expected to boost the demand for the waste management services.

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Fig 1.2 Global waste management market by geography

Competitive Analysis

Competitive analysis and profiles of the major waste management market players, such as CLEAN HARBORS, INC., Daiseki Co. Ltd., Waste Management Inc., Suez Environment S.A., Advanced Disposal Services, Veolia Environment S.A, Covanta, Remondis AG & Co. Kg, Biffa Group, and Hitachi Zosen Corporation, are provided in this report. The key strategies adopted by these players from 2015 to 2018 were product launch, acquisition, partnership, business expansion, and collaboration. For instance, Veolia, one of the leading waste management service providers, collaborated with Tetra Pak in November 2018 for recycling used beverage cartons collected within the European Union.

Growth in Urban Population

The global urban population was reported to be 34% in 1960, revealing potential growth in urban population. As per the estimates and forecasts of the WHO, the global urban population is expected to grow by approximately 1.84% every year until 2020, that is, at the rate of about 1.63% per annum from 2020 to 2025, and around 1.44% per annum from 2025 to 2030. As per the data released by the World Bank, the amount of municipal solid waste (MSW), a crucial byproduct of urban lifestyle, is growing at an even higher rate as than that of urbanization.

Increased Amount of Waste Generated

As per the data released by the World Bank, in 2018, the global municipal solid waste generated in 2016 was 2.1 billion tons, and is expected to reach approximately 3.40 billion tons by 2050. The countries with the highest per capita waste disposable rates are islands, most likely due to waste generated by the tourism industry. As per the data recorded in the year 2013, the annual waste generation in East Asia and the Pacific region is approximately 270 million tons per year. This quantity is majorly influenced by waste generation in China, which makes up 70% of the regional figures.

Rise in Environmental Awareness

Increased environmental awareness regarding management systems among people and rise in CO2 emissions, globally are expected to generate growth opportunities for the waste management systems market. Market players have been taking proactive measures to recycle MSW and nonhazardous industrial waste to reduce pollution and mitigate environmental hazards. Moreover, untreated waste and dumping affect health directly and indirectly by spreading vectors, which cause infectious diseases, thereby boosting the demand for waste management services.

Key Benefits for Waste Management Market

- The report presents an extensive analysis of the current & emerging market trends and dynamics in the global waste management market.
- In depth analysis is conducted by constructing market estimations for the key segments between 2017 and 2025.
- Extensive analysis of the market is conducted by following key product positioning and monitoring of the top competitors within the market framework.
- A comprehensive analysis of all regions is provided to determine the prevailing opportunities in these geographies.

- Key players within the waste management market are profiled in this report, and their strategies are analyzed thoroughly, which help to understand the competitive outlook of the global market.

Waste Management Key Market Segments

By Waste Type

- Municipal Waste
- Industrial Waste

By Service

- Collection
- Disposal

By Region

- North America
    - U.S.
    - Canada
    - Mexico
- Europe
    - UK
    - Germany
    - France
    - Russia
    - Rest of Europe
- Asia Pacific
    - China
    - Japan
    - India
    - South Korea
    - Rest of Asia Pacific
- LAMEA
    - Latin America
    - Middle East
    - Africa

Key Players

- Advanced Disposal Services
- Biffa Group
- Clean Harbors, Inc.
- Covanta Holding Corporation
- Daiseki Co. Ltd.
- Hitachi Zosen Corporation
- Remondis AG & Co. Kg
- Suez Environment S.A.
- Veolia Environment S.A.
- Waste Management Inc.

Increase in environmental awareness, rapid industrialization, surge in population, and rise in urbanization foster the growth of the global waste management market. It is a necessity that businesses should pay attention not just to profits but to people and planet also. In addition, implementation of stringent government norms toward open dumping is expected to fuel the market growth.

1.2 Issues in Waste Marketing, Consumer Behavior

1. **Creation of Sustainable Circular Systems**
   Companies that have taken the initiative to use and produce recyclable products will have to form sustainable circular systems to collect recyclable raw material, produce recyclable products through green production and create markets for these products and ultimately closing the loop by collecting it back from consumers, seems to be herculean task, as it needs efforts to foster new infrastructures, manufacturers and brands connect with consumers and drive the shift towards a new plastics economy. An example to this is FMCG giant Procter & Gamble, it announced that it has teamed up with the largest waste management company in Europe, to source, develop and put out the first fully recyclable shampoo bottle made from up to 25% recycled beach plastic for the world's number one shampoo brand, Head & Shoulders, a major step in establishing a unique supply chain that supports a new plastics economy.
2. **Issues Related to Sustained Supply and Demand**
   This is a challenge that sustained demand and supply of recycled material must be maintained in the system. Producers, marketers alone cannot handle this issue. Government and industry need to reach to an understanding about the complexity of the problem that they are both attempting to tackle. A public private partnership is the solution to this. A large number of national and local organizations and government groups need to initiate campaigns like "Buy Recycled" that can actively encourage government agencies, businesses, nonprofits, and institutional organizations like hospitals to buy products made of recycled materials. Strong demand for recycled products ultimately requires that these products, as in the case of steel and aluminum, be cost competitive and of high quality, for this government regulation should be implemented. In order to meet economies of scale, government should encourage collection and segregation be done through local bodies and requires continuous efforts at state level so that recyclable material is made available in large enough quantities to allow for its further processing and green conversion.
3. **Recycled Commodities Often End up Competing Against One Another**
   Since consumer's willingness to pay for recycled products vary, thus many such commodities are sold by offering discounts to consumers which lead to price war among recycled products.
4. **Handling Myths about Buying Recycled Products**
   There are several myths prevailing in our country related to reuse of recycled products, like Recycled products cost too much, since the efforts are being done on small scale so are the results being witnessed. Unless this effort of Greening the entire manufacturing till disposal effort would be put on the shoulders of manufacturers, the economies of scale would not be met and cost are not going to come down and it will not be easy to face the consumers myth about costs. Another Myth is about the quality of recycled products, consumers are rarely convinced about the easily acceptable quality of recycled products. Consumers also are not sure that Recycled products would be available when these are needed.

5. **Coordination Among Several Authorities is Difficult**
   Coordination is required among several authorities to tie full recycling loop—from curbside collection to buying recycled products to recollection, to see all this in proper action, a chain or loop involving several authorities is needed, which cannot be achieved by solely. And coordinating business government programs to this extent is no easy task, whether a participating organization is driven by public or private interest.
6. **Not Being Cost Effective till Now**
   When cities launched recycling programs, the perception behind was that the revenue from the recovered materials would offset the costs of collecting and separating the waste, but it hasn't worked out that way. Only approximately 20% of the cost of collecting, sorting and shipping materials is recovered back.
7. **Consumer's Willingness to Pay for Recycled Product**
   Conventional products and recycled products do not have the same value for consumers. In other words, recycled components of a product affect the evaluation of that product and thus the consumer's willingness to pay for that product. Consumers are more willing to pay premium prices for recycled paper and single use cameras than for toner, cell phones and auto parts. This suggests that although consumers might feel very positive about green products in general, they are considering the recycled aspect differently depending on the product category.
8. **Perception about Functional Risk of Recycled Products**
   Consumers show a much lower interest for products that present a high level of functional risk. In the case of the perception of a high level of functional risk for products that involve recycled content, consumers expect a large price discount in relationship to new/conventional products.

   Like contamination of recycling functionaries is most common perceived risk among people. With increase in online shopping, is good news to recycling industry as growth of online shopping has generated an explosion of cardboard packaging coming into the recycling stream, which is a valuable and readily recyclable product — as long as it is not contaminated in a recycling bin by a dirty diaper or broken bottle.

   Recycled paper has the lower perceived functional risk associated to it (low probability of bad performance, low cost, and no risk of physical harm to the purchaser or user). Furthermore, for most products that incorporate reused or recycled materials consumers have limited or no knowledge of the effects of the non virgin material to the functional risk of the product.
9. **Lack of Familiarity with the Uses of Recycled**
   Barrier to purchase green products is concerns over not being able to assess product performance. A lack of familiarity with the use of recycled material in certain products and/or a lack of knowledge of the effects of the materials on product functionality makes consumers evaluate these products differently from their new/conventional counterparts and also between different product categories of recycled products.
10. **Understanding the Waste Hierarchy**
   The waste hierarchy identifies five waste management activities in descending order of preference. The preferred activity is waste reduction the least desirable is landfill disposal.

Solid waste, if managed according to the waste hierarchy, can help to maximize energy savings and minimize greenhouse gas emissions. After “Reduce, Reuse, recycle” we add the fourth "R" to represent the RECOVERY of energy from residual waste, which is preferred over landfill disposal. Using waste as a fuel, Energy from Waste (EFW) or Waste to Energy (WTE) technology recovers energy from residual waste to generate renewable energy. An understanding of this process to general public is an issue.

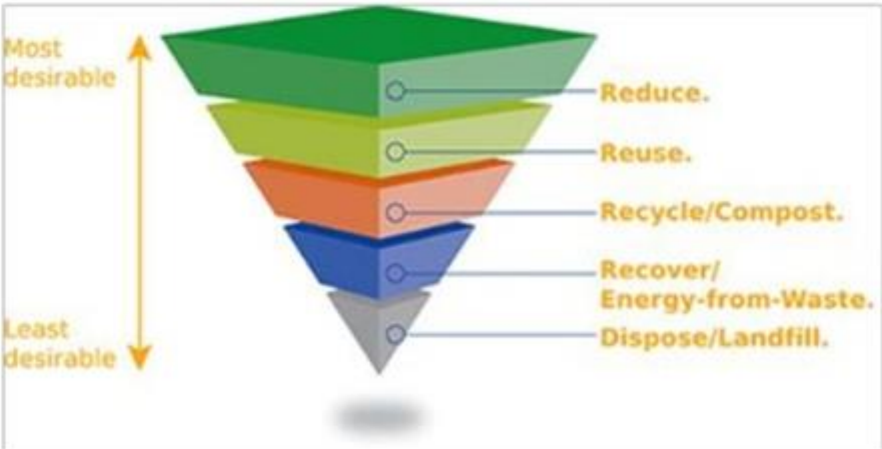

Fig 1.3 Understanding Waste Hierarchy

Consumer Behavior in Waste Management

Consumer behavior about recycled products considers the many reasons why people should shop for these products, buy and use them, and then dispose them. Different people in spite of having similarities, make different purchasing decisions. So, marketers want to study what is the trend among different consumers.

1. **Need** Many times we are not interested in a movie by its name until we see its promo while surfing in mobile. Suddenly this arouses our interest and we then make it a point to see it. This is how marketers create need for the product.
2. **Search** When we are interested in purchasing a particular color shirt, we would like to make search in the brands available. Internet shopping sites such as Amazon.com have become a common source of information search related to several products that it sells. It also offers product reviews written by consumers independently. People prefer such independent sources of information such as this for product information.
3. **Evaluation** Obviously, there are hundreds of different shirts available to choose from. It is not possible for anyone to physically examine all of them by going and trying out in different outlets. Consequently, one decides an evaluative criterion to narrow down the choices. Evaluative criteria can be certain characteristics that are important such as the price of the shirt, the size, and color. Some of these characteristics are more important than others like color in this case.
4. **Choice and Purchase** Now this are the Stage at which you decide what shirt to purchase. Not just shirt other decisions are also being made at this stage, like where and how and budget to purchase the shirt.
5. **Post purchase Evaluation** Here if you to feel good about your purchase, if other praise about your selection and choice. If you don’t feel good about what you’ve purchased from them,

you might return the item and never purchase anything from them again. Worse can also happen that you might tell everyone how bad the product was.

Need Recognition Process:

Consumer decision making process and evaluation of services

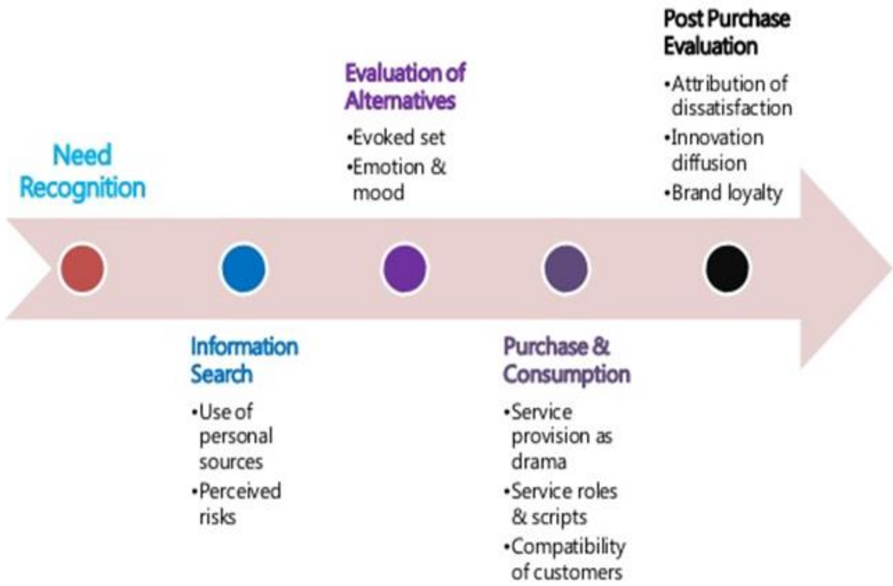

Fig 1.4 Consumer decision making process and evaluation of services

It is important to balance the demand and supply of recycled products from waste. The demand of such product is not very substantial in the market. The reason can be many, this unit is highlighting such issues in marketing of recycled products.

1.3 Product Categories in Waste Management

Many of the newspapers and magazines collected by rag pickers in our locality is for the purpose of recycling it, which in turn is used in the manufacture of paper plates and associated paper goods.

Thus, instead of throwing an old newspaper away, it can become

- Building insulation
- Telephone directories
- Construction paper
- Paperboard
- Kitty litter
- Sheetrock
- Countertops
- Paper plates

Fig 1.5 Products Made from Recycled Newspapers

Recycled magazines are important in the recycling process as their high clay content is used to remove inks from paper before it is made into new paper products. Recycled magazines can become newspapers, directories, and paperboard. The paper products you use in your office can become facial tissue, toilet paper, and new paper products. Unfortunately, digitization has reduced the amount of waste that comes out from magazines.

Fig 1.6 Products Made from Recycled Magazines

Paperboard of kellogs corn flakes, pasta box or shoe and sweet box can all take up a different structure and convert into paper roll, paper backing sheets etc.

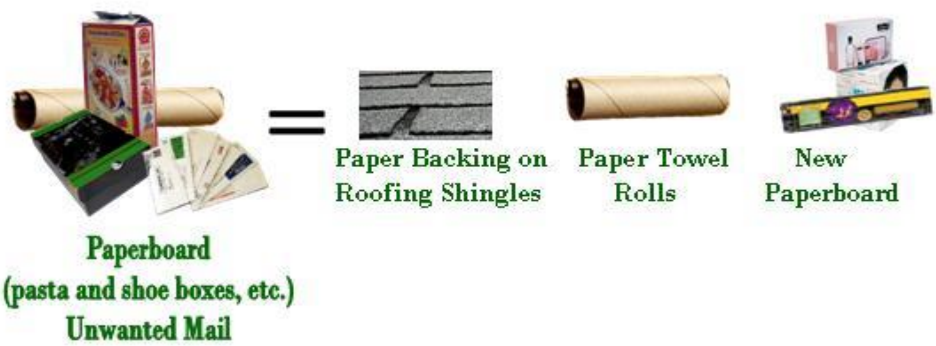

Fig 1.7 Products Made from Recycled Paperboard / Mixed Paper

You may have found corrugated cardboard a nuisance to handle and even more so to fold up and throw out. It is, however, a versatile recyclable material. This material can make new paper bags, paperboard, and cardboard.

Fig 1.8 Products Made from Recycled Corrugated Cardboard

Lot of waste paper is generated in office which is just thrown in dustbin. This office paper can be converted into facial tissues, toilet paper, new computer paper, paper napkins, notebooks etc.

Fig 1.9 Products Made from Recycled Office Paper

Metal being tough material to be recycled, can create hundreds of new products. The steel and tin used into construction industry, materials utilized in rough furniture, metal cans, bike and car parts contain recycled material which are giving new life to recycled industry. Incredibly, it takes 95 percent less energy to make a can from recycled aluminum rather than manufacture a new one from scratch.

Fig 1.10 Products Made from Recycled Tin

Trash of tin cans saves a large amount of metal when it is used in recycled form for manufacturing of several metal and tin products.

Fig 1.11 Products Made from Aluminum Tin

Glass is an extremely versatile material and can be reused indefinitely. New jars and bottles, and even fiber glass can be created from any type of used glass container. When finely ground up, glass can become house bricks with a smooth surface. Fibre glass is finding new market and catching up the demand.

Fig 1.12 Products Made from Glass

In the U.S., about 28 percent of all plastic bottles thrown out are recycled. Products made from recycled plastic typically include bottles and containers, and can even become

- Plastic lumber for park benches
- Picnic tables
- Lawn furniture
- Playground equipment
- Recycling bins

An ordinary plastic bottle can be broken down into a t-shirt or sweater, a fleece jacket, or jacket insulation. In fact, about 10 bottles are enough to make a t-shirt, and 63 to make a sweater. Recycled plastic also makes sleeping bags, backpacks, and carpeting.

Plastic bottle caps can make storage containers, shopping bags, ropes, brooms, and even car batteries. Building insulation, picture frames, and new foam packaging has also come from plastic foam packaging.

The type of plastic and the process it must endure determines whether or not two plastics can mix. You cannot mix items of the same type at times, such as shopping bags and detergent bottles. Clear plastic is more valuable because colored materials are less versatile. Small plastic bottles are better for making sleeping bags and carpets, while heavier milk jugs and detergent containers are suitable for producing plastic lumber, buckets, and even stadium seats.

Fig 1.13 Products Made from Recycled 1 Plastic

Fig 1.14 Products Made from Recycled 2 Plastic

Summary

Simply recycling materials can create a surprisingly large number of items. Businesses even recycle hotel bar soap. Because you leave behind most of the soap from the hotel shower, businesses have found a way to clean and remake the soap you wasted into more soap. Sporting goods are often made from recycled materials too. The unused rubber from tennis balls is used to make two million extra balls per year. You can reuse aluminum many times, like glass. For example, thumbtacks or license plates can become aluminum baseball bats. Plus, anything made from aluminum is rustproof and heat resistant. Highway asphalt is another material that is made from recycled products, like ground up roof shingles.

Almost everything can be converted into a different category of product even after its usage. Therefore, a nearly uncountable number of items in everyday life may have been something else at one time. This is something to think about when taking an extra minute to separate recyclable materials from waste.

1.4 Four P's or Seven P's

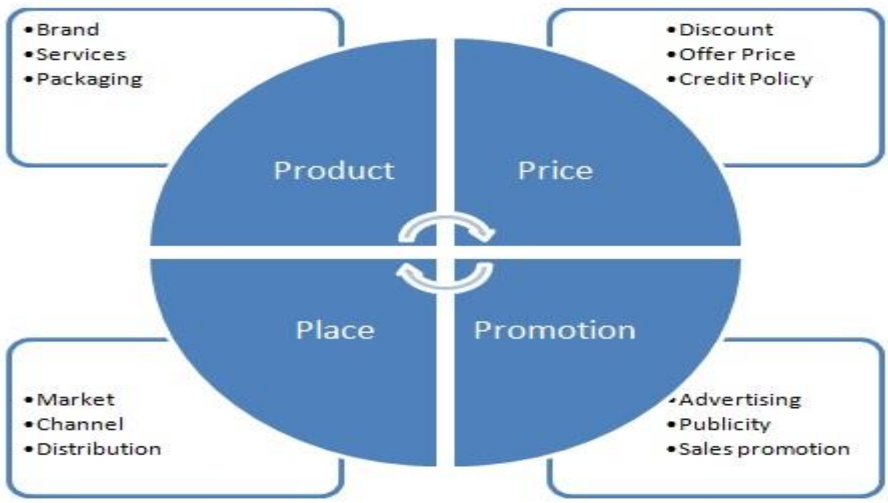

Fig 1.15 4P's of Marketing

A product is defined as something which satisfies consumer's need or want, usually a physical object, but can be services, experiences, events, persons, places and ideas.

Organizations have hardly paid attention to what they are taking from environment and what are being returned to the environment, result is indiscriminate use of natural resources and heap of products and product parts which are non-biodegradable. Hence now organizations are talking about green products which are defined as a product whose manufacturing has taken place through green technology and which causes no hazards to the environment. These are the features of Green Products

- Products which are manufactured through green technology
- Products those are recyclable, reusable and biodegradable
- Products which are manufactured with natural ingredients
- Products which contain recycled contents, nontoxic chemical
- Products with contents and composition under approved norms
- Products that do not harm or pollute the environment
- Products that have not been tested on animal
- Products that have eco-friendly packaging i.e. reusable, refillable containers

Organizations today have understood the importance of investing in processes leading towards manufacturing of the sustainable production part by paying more attention towards modernizing manufacturing processes, involving techniques giving less carbon emission and reducing and recycling waste materials. A major challenge for the industries is designing such products which are eco-friendly in nature. The bigger challenge is that this product must fulfill the expectation of the normal product and also greater expectations of meeting the demands of improved functioning, better performance than earlier product and meeting the level of safety and security regulations. If this eco-friendly product is unable to meet the basic requirements, then the product will fail not be able to meet the expectations of the consumers and will fail to perform in the marketplace. Organizations' profitability is also a decisive factor, if the profitability of the company is not being met, then production will not be sustainable. If the product is not profitable then no company would produce it no matter how environmentally friendly it is.

Now a days' conventional design and manufacturing procedures are needed to be altered to incorporate environmental considerations systematically and effectively, called Green Designing. The organizations must incorporate Green Operations in their systems. Green operations are defined as a sustainable operations system which is closed in nature. Here byproduct of operations and processes, for example material, energy and information is treated and fed back into the system to make the system self sustainable. By adopting green operations organizations are spreading the benefits to larger number of stake holders apart from the traditional customers and financial stakeholders, organizations are benefiting environment, community, public, suppliers and future generations also. Green Manufacturing which emanates from ISO 14001, is focused on prevention of pollution and focuses on continual improvement in the manufacturing process of the product to reduce its impact on the environment. This is due to the fact that otherwise production process involves emission of CO_2 and other harmful gases. Thus, under better waste management collection, transportation, processing or disposal, managing and monitoring of waste materials is carried out which are produced by human production activity. The process is essentially focused to reduce the effect of waste on the environment.

Pricing

Price of a product is "its" value expressed in terms of money, for consumers it is cost of the product that they are expected to pay. For seller, it is return that seller gets through the exchange in the market & in economic terms, it is the value of satisfaction that a consumer receives by paying a certain sum of money.

Pricing is, indeed an activity which affects the operations of any company. It plays an important role in deciding the path that a company would like to take up in future. Pricing also decides the wages to be paid, the rent, interest & profits. It also assists in deciding proper allocation of resources as by keeping a control on price, the demand & supply factor can be impacted.

One key aspect of developing greener products is the pricing of these products. Price is the only element of the marketing mix which produces revenues, all other elements produce cost. Price also communicates to the marketplace the company's intended value positioning of a product or a brand. In the simplest of terms price can be defined as the amount of money needed to purchase a product or a service. However, this concept becomes the concept of costing when looked upon from an organisational perspective. In other words, organisations need to price the product so that (a) it recovers the cost incurred in production and distribution of the product (b) it provides a certain amount of return to the organisation and (c) it is acceptable to the target market.

In order to give a "green price" to a product and to fulfill the above objectives it is necessary for a firm to look at its entire production process and not the product itself. This would include activities like waste management, biodiversity management, minimization of the use of depleted resources and preservation of natural resources. The entire value chain in the organisation would have to be greened in a bid to produce green product. This would mean that a substantial amount of cost would be incurred in the initial phases thereby driving up the price of the end product. Economically speaking this would mean a major leftward shift of the cost (and the marginal cost) curve whereby lower quantity of the product would be sold in the marketplace at much higher price. This acts as a major deterrent in giving a green price to the product.

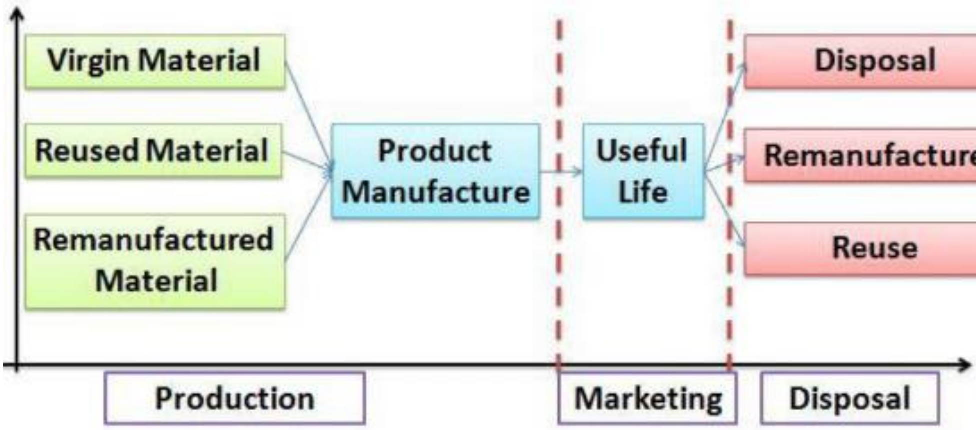

Fig 1.16 Life Cycle Cost Benefit Analysis

Source Adapted from Chen, J. Y.C. (1994). The Economic Impacts of Green Product Development.

In effect this means that pricing of green products becomes a major issue. Too low a price would mean that the organisation is not recovering the cost of greening whereas too high a price would mean that the product is out priced out of the market. Empirical evidences seem to suggest that the current trend is to overprice green products as compared to their traditional counterparts. For example the lowered cost of health services, generation of future employment activities, and availability of resources for the future etc. It becomes extremely difficult to figure out the correct cost of these externalities and to factor them into the cost of production.

Pricing of green products has been an issue and will continue to remain an issue in the future. Economic factors like downturn, inflation and fall in purchasing power would also contribute to the shrinking of the green markets especially in lesser developed countries like India. If the government does not have a policy of subsidizing the green efforts then a part of the price could be passed on to the consumers. The threat always remains as to whether the marketplace becomes green or not. It has been seen that consumers are aware of the ecological aspect of damaging the environment but are hesitant to purchase green products and services – normally because of the high price differential. For example, it is well known in the recycling industry that recycling 1 ton of paper saves 17 mature trees or 26,500 liters of water or 2 barrels of oil or 4,100 kilowatt hours of electricity enough energy to power the average Indian home for about 2 years. But at the consumer end, hardly any consumer would be able to elucidate the benefits of recycling of paper. Thus, there needs to be a concentrated effort on the part of the industries to communicate the green messages to the consumers. This would help in reducing some of the resistance which the organisations face in charging higher prices and making the market more receptive to green alternatives.

Promotion

Promotion is a part of an organization marketing mix that is used to inform & persuade the market regarding its products & services. It is the duty of the manufacturers to know about their products & price. For promotional purpose, they have to communicate with, persuade, & motivate the consumers. To achieve this, organizations use promotional strategies as the means through which a company meets its prospective customers.

Promotion Mix It is a combination of personal selling, advertising, sales promotion, publicity & public relations that helps an organization to meet its marketing objectives.

When an organization takes up the task of greening itself, almost simultaneously, it adopts to converting or greening the product. It can do so by going for new products or brainstorming for greening the existing products. The changes would have to be brought in production process first, tested and finally the green product is launched in the marketplace. In the meantime, the promotions strategy of the organization takes over and start communicating about green product and about the greening process also to the consumers. This helps in repositioning the organisation from being a basic manufacturing organisation to a neo green organisation. One aspect of the promotional campaign could be the use of media to communicate the benefits of greening and the reasons for charging of higher prices. Further it could highlight the savings for the future generations. The strategies for promotion may have found different relationships between the advertising strategies and the reaction of consumers.

AyselBoztepe in his study of Turkish customers found that green promotion, environment awareness, green price, green product features affect purchasing for male consumers where as for female consumers only green promotion affect this. He concludes that promotional strategies of the firms should differentiate between the genders. Another study revealed that women were more perceptible to the risks involved in global warming and other related hazardous wastes when compared to the males. This tends to suggest that green promotions may impact women more than men in various countries. However, this may not always be the case. Given such challenges in promotions, the corporate would have to closely look at designing their communication process so that they are able to influence the nascent green markets in the developing countries.

Place (Distribution)

This P Place or distribution is gaining importance in ecological terms and is in focus either directly or indirectly. Traditional supply chain management principles have evolved into “green supply chain management (GSCM)”, which is becoming popular because of the focus towards environmentalism and the growing consciousness about the ecology. Green supply chain management is getting wider by including other aspects of business like – green design, green operations, reverse logistics, waste management and green manufacturing.

In the previous time environmental effects were ignored during the design stage for new products and processes, green design is now aimed at developing more environmentally friendly products and processes. Like industries are throwing their hazardous industrial wastes in the most convenient way, not paying attention to possible environmental damage it could create. Production of material its manufacturing and its further distribution, waste was common in all these activities and all this waste was dumped at the convenience of manufacturer. Understanding such issues and recognition of these problems have led to cleaning up of pollution and reduction in ongoing waste products at the same time, conscious thought towards safe disposal of waste is in priority of environmental laws now.

Organizations are increasingly adopting reverse logistics, which can be simply defined as the opposite of traditional or forward logistics. It is a process in which a manufacturer accepts the return of products previously shipped from the point for consumption for possible recycling and remanufacturing back to the production process because of which cost of making a new product gets reduced by absorbing some of reusable parts. E.g. automobile industry where reverse logistics has been widely used like by BMW and General Motors – and thus competitiveness can be increased in the industry. Reverse logistics also involves collection, sorting and recycling with the sole objective to reuse material and parts which can lead to substantial reduction in cost. This also helps the customers in disposing off their used products.

Under greening of supply chain, the forward supply chain and the distribution outlets need to be greened first. At the end comes the transformation of backward supply chain, as the backward supply chain would consist of several raw material suppliers who would be independent entities and would not be interested to commit to going green. Once the organisation is internally green it can then force the external entities to comply with its requirements. Thus, the internal greening process acts as leverage with the suppliers.

Marketing Mix for Services

The service marketing mix has three further variables included which are people, physical evidence and process.

'People' are one of the most important elements ever of the marketing mix today. This is mainly because of the phenomenal rise of the services industry. Even products are being sold through retail outlets today. And if the retail outlets are not handled with the right people, the product will not be sold. Thus, the right people are important in product as well as service marketing mix in the current marketing scenario.

We can understand this through a very simple example of a barber shop. If a barber does not give good haircut or haircut of our choice, we will probably be not going to him again and also, we will not suggest or recommend to anyone also. Thus, you can see how important people or service provider are in keeping the customer happy and satisfied.

Process

Generally, businesses ignore the convenience of customers while designing the process of services and thus make customers annoy. Businesses should think of process in terms of customer needs, to marketer's process is in fact what your customers experience. Therefore, design of the processes must be done to maximise the customer's enjoyment throughout the delivery of services.

Physical Evidence

Since services are intangible so all the visible and tangible parts of business that a customer can see, feel and encounter before buying the services are the physical evidence. Advertising, signage, nice receptionist and reception area, corporate brochure and signage, even staff clothing is part of the physical evidence of business. Companies use physical evidence to stand out from the competition and create a strong brand image.

The Marketing mix is a set of four decisions which needs to be taken before launching any new product. These variables are also known as the4 P's of marketing. These four variables help the firm in making strategic decisions necessary for the smooth running of any product / organization.

1. Product – What the company is manufacturing?
2. Price – What is the pricing strategy used by the company?
3. Place – Where is the company selling?
4. Promotions – How is the company promoting the product?

There are Two Types of Marketing Mix

1) **Product Marketing Mix** – Comprised of Product, price, place and promotions. This marketing mix is mainly used in case of Tangible goods.
2) **Service Marketing Mix** – The service marketing mix has three further variables included which are people, physical evidence and process.

1.5Branding the product, Product Features

Definition: "The marketing practice of creating a name, symbol or design that identifies and differentiates a product from other products."

Brand is the promise that a producer does to the customer. A brand tells the customers that they can keep the expectations from products and services of a particular company, and it differentiates a company's offering from competitors. Company communicates about the brand by its logo which shows its presence at all website, packaging and promotional materials.

The brand adds the value to the company's product because it has a strong brand equity which is a result of marketers' effort of making it visible and noticeable in the market. A branded product can charge more because of an added value. The most obvious example of this is Levi's / Lee or unbranded jeans. Because Levi's has built powerful brand equity, it can charge more for its product and customers will pay that higher price.

Product branding is especially important, because it's the product that customers see first as their first experience with the brand**.** Product branding also should be in line with your company branding strategies. Product branding is a marketing strategy that focuses on the promotion of an individual product or service provided by a company.

Green, eco-friendly businesses tend to fail at setting up an appealing and outreaching branding strategy. It is especially typical of small businesses. Creating a visible, remarkable brand is not an easy task. It takes some design sense and brainstorming to figure out the best way.

For branding, companies create some typical visible signs called Brand elements, parts of brand elements include

- Brand names
- Logos
- Symbols
- Characters
- Slogans
- Jingles
- Distinctive packages

Brands add value to merchandise and services and thus increase the value of product through branding not just for the customer but for consumers and sellers both. A Brand facilitates purchases beyond physical and functional characteristics of the products and services. Brands are often easily recognized by consumers, because they signify a certain quality level and contains familiar attributes, thus assisting consumes to make quick decisions. Brands enable customer to differentiate their product from another competitor especially about their purchases.

The added value intrinsic to brand equity frequently comes in the form of perceived quality or emotional attachment. For example, Nike associates its products with star athletes, hoping customers will transfer their emotional attachment from the athlete to the product. For Nike, it's not just the shoe's features that sell the shoe.

When a company wants to go for branding, it should answer the following questions

- What is your company's mission?
- What are the benefits and features of your products or services?

- What do your customers and prospects already think of your company?
- What qualities do you want them to associate with your company?

Features are factual statements about the product. The benefits or features are to answer the target audiences' question 'how does this benefit me?' The example below demonstrates the use of features and benefits within a value proposition for an organisation supplying its products in fully recyclable packaging. For example, fully recyclable packaging – reducing your impact on the environment

The core features and benefits of the value proposition should be used as the basis for the brand identity. Brand identity is a visual representation of your features and benefits, built upon a set of values that represent the organisation. The brand identity needs to work effectively with all segments your target audience, and through all routes to market. However, the specific features and benefits when decided to emphasize may vary depending on the audience segment/ route to market in which you are communicating the value proposition.
Let's take a company that sells mineral water as an example. Their product is a natural and vital resource. Therefore, their credibility remains intact only if they consider the right packaging for it as it is integrated in the product. (Well, no one buys mineral water in the shop without a bottle that contains it).

Now the design is secondary for a moment. The main focus is on how the packaging helps nature. They either use less plastic for making the bottles, or the bottles are made of recycled plastic material.

When a company builds a branding strategy, they always have to consider the product they sell, and how they sell it. Eco-Friendly Design includes the use green and brown, green and yellow color pairs and very similar logos. Therefore, it is sometimes impossible to remember which is which. When it comes to design, a business must inspect similar companies' profiles and see how to avoid copying them. The "less is more" principle should be a primary one for environmentally friendly companies. Sticking to a pair of colors, lot of white space, a simple typeface, and a simple logo are the basics of a good design.

A green business has a hard time coming up with something outstanding and original. It is mainly because environmental consciousness is a relatively new trait in businesses. Therefore, people have limited associations with it. It results in hundreds of green businesses having similar Earth logos and green coloring. These similar patterns are confusing for the customers, they won't be able to distinguish them.

The name of the company can be also a tough choice. It might be obvious to many, but just for clarity's sake the name is also part of the design. You will print it, and also put on the company's website. You may even want to embed it into the logo, or it may constitute the base of the logo.

The company name also should be simple to remember, as short as possible, and also timeless. It should, again, stand out from all the other companies' names. Customers will give up remembering the fifteenth company name that starts with "Earth" or "Recycle".

Less is really more when it comes to green product branding and design, and rarity is still a great value. Be original, outstanding, but also simple. That is what will make customers remember when standing in front of the shelves or choosing from services.

Eco Friendly Logo helps in branding as great logo can make a great difference in making a brand recognizable. Smart and simple logos are most definitely remembered and appreciated among customers. In case of environmentally friendly businesses simplicity is not only a helpful tool for making people remember. It also helps use less resources which would communicate a clear message about their eco friendliness. Simplicity and creativity is key when designing a logo for an eco friendly business. Even this small detail may play a great role in a company's image and credibility. When it comes to packaging it's especially important for a green company to find creative and actually eco friendly ways to do it. Recycled plastic and paper that are biodegradable are often used. Packaging doesn't have to stop there. Creative packaging, for example, one that could be reused in certain ways after getting the product out of it, makes the customer feel like they have got two products instead of just one. We must admit getting something extra "for free" is always a great feeling. Organic materials can also be used for packaging as English food delivery company.

Packaging doesn't only include the outer packaging, but also the packaging that your customers carry when they leave your shop. Handing out plastic bags is definitely not a good idea if you're working on going green. E.g. Reusable bags help spreading the word about your business in the most eco and customer friendly way, and a nicely designed bag can also enhance customer engagement. The important thing is to create an appealing and practical packaging, which also carries the message of taking responsibility and helping the environment, promotes your business, and builds your credibility among customers.

A marketing strategy doesn't necessarily stop after having created the product, the design, and the packaging it should continue until the product reaches the shelves. Credibility is important for a green company in order to gain customers. Customers who want to buy green usually are thoughtful of the products they buy and the brands they buy from. So, you can see that being dishonest is not profitable.

A green business should consider logistics as an important factor in their marketing in order to truly convey their company's message. Being wasteful of resources and polluting the environment by delivering their products onto the shelves or even into the homes of their customers could seem negligent is an attribute that is incompatible with a green business strategy.

When it comes to shipment and delivery operations, an environmentally conscious brand should consider reducing carbon emissions, waste products, and consumed energy. Half empty trucks, frequent routes, or using a longer route to the destination of the shipment could easily be resolved issues, and it would also save resources and reduce the company's carbon footprint. Also, operating in line with environmental government regulations can not only save a company from the fines and penalties that the breaking of these may result in, but it helps strengthen the customers' trust in the company.

Let's look at some amazing packaging ideas and some eco-friendly companies who took green branding to the next level. Among green businesses it is also becoming an increasingly common practice to pack herbs or small plants into plan table paper. The paper contains seeds which you can plant in your garden. This way the packaging immediately becomes a gift for the purchase, without creating any waste. There are many other green companies that are worth checking out and gaining inspiration from. They are surely the forerunners of a time when consuming and environmental friendliness will be in balance. There is a great opportunity for your company to become one of them. Customers are more and more attracted to brands that promote transparency and environmental consciousness. In order to attract them to your company, they need to recognize the product and the business first. It hardly works without efforts in branding.

Summary

In today's competitive world of marketing and advertising, a key to success is building a strong brand. Branding involves developing a compelling, positive and lasting image of your business that creates an emotional connection with your customers.

Model Questions

1. Give a description of various sold waste markets?
2. It is said that "the 3 P's people, profit and planet work hand in hand", comment.
3. What are the hindrances being faced to market the recycled product?
4. What efforts should be put to stabilize and enhance demands of recycled products?
5. What is your opinion, Can Recycled products be classified into categories?
6. How different it is to deal with product categories in solid waste management
7. Marketing Management by Philip Kotler
8. Marketing Management by T.N. Chhabra
9. Principles of Marketing Armstrong & Kotler
10. Sources Thebalance.com, Recycleyourplastics.org.
11. Outline what the main responsibilities of a Brand Manager.
12. Explain the methods available to maintain customer loyalty for an established brand of breakfast cereal.
13. Analyze marketing strategies to build brand recognition for a new chocolate fruit bar using Fairtrade and natural ingredients.

14. Design a marketing strategy for establishing a wider diffusion of the market for your range of specialist Indian Foods. They are sold in long life vacuum sealed plastic pouches and are priced at the mid to top end of the market.

Reading Material

1. Marketing Management Philip Kotler
2. Marketing Management T.N. Chhabra
3. Principles of Marketing Armstrong & Kotler

References

1. https//www.alliedmarketresearch.com/wastemanagementmarket
2. https//www.youtube.com/watch?v=_bxa4Yqr_5s
3. www.theblueeconomy.org 'Branding waste', Gunter Pauli, 2010

Chapter 2 Waste Marketing Strategy

Introduction

The evolution of waste marketing strategies dates back to four decades. The green marketing strategies became popular and being started extensively by 1990. There were various strategies used by organizations but the ones that worked best under different market and competitive conditions have been categorized from the relatively passive and silent "lean green" strategies to the more aggressive and visible "extreme green" strategies — with "defensive green" and "shaded green" in between.

Objectives

1. To understand how Waste Marketing Strategy has evolved over a period of time.
2. To study how informal sector has contributed towards solid waste management.
3. To find out pricing strategies of product / services are worked out and what are various Determinants of price.
4. To find out what are Types or levels of products and how value creation in product is carried out.
5. To understand the contents in Value chain analysis

Structure

2.1 Evolving Waste Marketing Strategy

2.2 Role of Informal Sector in Waste Management

2.3 Pricing Policies & Pricing Methods or Determination or the Price

2.4 Levels of Product

2.5 Value Chain Analysis

1.1 Evolving Waste Marketing Strategy

Opting recycled products may not be the choice of many but there are substantial numbers of consumers who are potentially receptive to recycled products. Thus, understanding the target consumer is necessary for marketers in order to know whether "recycle approach" is appropriate selling preposition for their organization and then marketers should incorporate this into the marketing mix. To respond to consumers' varying degrees of environmental concern, Roper survey has categorized the consumers into the following groups into different shades of green.

- **True Blue Greens (9%)** True Blues have strong environmental values and take it upon themselves to try to effect positive change. They would not buy and would avoid products made by companies that are not environmentally conscious.
- **Greenback Greens (6%)** Greenbacks differ from True Blues in that they do not spare their time to be politically active. But they are more willing than the average consumer to purchase environmentally friendly products.
- **Sprouts (31%)** Sprouts believe in environmental causes in theory but not in practice. Sprouts will rarely buy a green product if it means spending more, but they are capable of going either way and can be persuaded to buy green if the cause is understood by them appropriately.
- **Grousers (19%)** Grousers tend to be uneducated about environmental issues and cynical about their ability to effect change. They believe that green products cost too much and do not perform as well as the competition.
- **Basic Browns (33%)** Basic Browns are caught up with day to day concerns and do not care about environmental and social issues.

These figures indicate that somewhere between 15% and 46% of the overall consumer market could be receptive to a green appeal, depending on the product category and other factors. With so much of diversity of consumers, it is difficult for managers to choose and implement a profitable green strategy. So, a review of several possible strategies is done by trading off the better one. The decision to choose a particular strategy lies on the shoulders of managers. Marketers must ask themselves two sets of questions regarding a waste marketing strategy. First, how substantial is the green receptive consumer segment for the company? Can the company increase revenues by improving on perceived waste marketing strategies? Would the company be going in losses if consumers judge the company to be inadequately green? Or companies have plenty of consumers who are indifferent to the concept of recycling issue that the company can serve profitably? Thus, Companies must take an idea about the green consumer base in their industry as well as their ability to differentiate their products on "greenness" from those of competitors before choosing one of the strategies in the matrix.

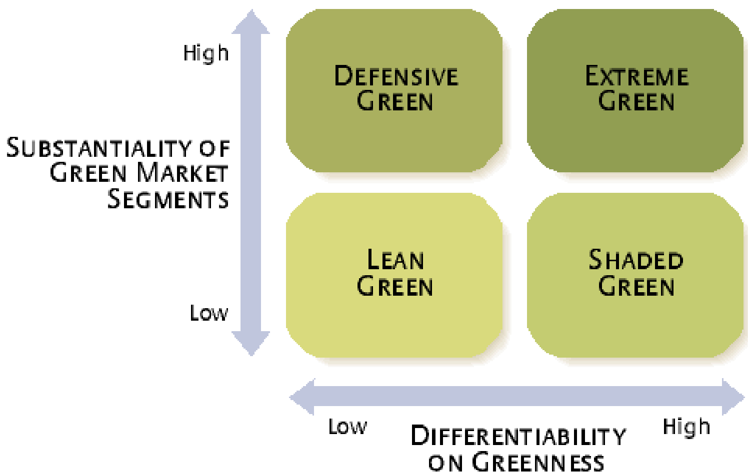

Fig 2.1 Different Shades of Green

Source: Sloan review article "Choosing the right green marketing to use"

Companies may Consider One of these Strategies

Lean Green

Lean Greens try to be good corporate citizens, but they are not focused on publicizing or marketing their green initiatives. Instead, they are interested in reducing costs and improving efficiencies through pro-environmental activities, thereby creating a lower cost competitive advantage, not a green one. They are usually seeking long term preemptive solutions and want to comply with regulations, but they do not see substantial money to be made from the green market segments. Lean Greens are often hesitant to promote their green activities or green product attributes for fear of being held to a higher standard — and not always being able to live up to it or differentiate themselves from competitors.

Eg.Coca Cola Co. can be characterized as a Lean Green company as the company has invested heavily in various recycling activities and package modifications. They were the first ones to advertise their internal not so healthy product contents to make people aware about it. So, although CocaCola is concerned about the environment, but it has chosen lean approach not to market its efforts. One reason for this might be the company's wide target market and brand breadth. If CocaCola directly tied its environmental efforts to the overall brand, it would run the risk that all its products would be categorized as green. For Lean Greens, narrowly tying environmental issues to one brand is the safer approach.

Defensive Green

Defensive Greens are the ones that use green marketing as a measure of precaution or as a response to a crisis or a response to a competitor's actions. They would like to improve the brand image and lower down the damage, when they recognize that the green market segments are important and profitable that they cannot afford to be deaf. Their environmental initiatives may be sincere and sustained, but they don't put efforts to promote and publicize the initiatives, since they do not differentiate themselves from competitors on recycling approach. They believe that aggressive promotion of greenness would be waste and would create expectations that they may or may not meet. Defensives take up smaller actions such as sponsoring smaller environment friendly events and programs. And they keep updated records of their initiatives with public relations and advertising efforts if they are attacked by activists, regulators or competitors. But unless they discover that they can obtain a sustainable competitive advantage on the basis of greenness, they will not launch a significant green campaign.

E.g. Take the case giant clothing retailer Gap Inc. has often been cited as a socially responsible company that is concerned about the welfare of the workers and customers. The company has long promoted energy conservation and waste reduction policies and active towards environmental concerns, and its corporate headquarters has been described as a prime example of sustainable building. The company mentions these activities on its Web site, but it does not publicize them externally much beyond that.

Shaded Green

Shaded Greens invest in long term, system wide, environmentally friendly processes that require a substantial financial and nonfinancial commitment. These companies see green "as an opporty to develop innovative needs satisfying products and technologies that result in a competitive advantage."14 They have the capability to truly differentiate themselves on greenness, but they choose not to do so because they can make more money by stressing other attributes. Shaded Greens primarily promote the direct, tangible benefits provided to the customer and sell their products through mainstream channels. Environmental benefits are promoted as a secondary factor. The Toyota Prius is advertised today as "an environmentally advanced, fuel-efficient hybrid." However, when the Prius was first launched in the U.S. market in 2000, Toyota Motor Corp. did not play up its environmental attributes. The emphasis was instead on fuel efficiency — consumers would spend less on gas and spend less time at the pump.15 The fact that the Prices reduced air pollution was merely icing on the cake. This type of promotion works particularly well for products that have the ability to help the consumer save on recurring expenses energy efficient appliances are another example.

Extreme Green.

Holistic philosophies and values shape Extreme Green companies. Environmental issues are fully integrated into the business and product lifecycle process of these firms. Usually greenness has been a major driving force behind the company since day one. Practices involve lifecycle pricing approaches, total quality environmental management and manufacturing for the environment. Extreme Greens often serve niche markets and sell their products or services through boutique stores or specialty channels.

Examples of Extreme Greens include The Body Shop, Tata's Voltas, Haier India. Honest Tea from Maryland is one of the fastest growing organic tea companies in the natural foods industry. Social responsibility is embedded in its identity and purpose, from manufacturing to marketing, as illustrated by its biodegradable tea bags, organic ingredients and community partnerships.

The lean green strategy is one in which greenness tends to be exhibited mostly in product development, design and manufacturing. The defensive green strategy mainly involves the promotion aspect of the marketing mix, making particular use of quieter public relations promotions rather than overt tools like advertising. The defensive green also quietly pursues greenness in its product development, design and manufacturing. The shaded green strategy puts some secondary emphasis on greenness in its more overt promotional efforts and also pursues greenness in product development, design and manufacturing as well as in pricing if cost efficiencies can be achieved with greenness. The extreme green strategy involves heavy use of all the marketing mix elements, including the place element, as distribution systems and retailers are chosen and given incentives on the basis of their greenness.

	Product	Price	Place	Promotion
LEAN	X			
DEFENSIVE	X			X
SHADED	X	X		X
EXTREME	X	X	X	X

S

ource Sloan review article "Choosing the right green marketing to use"

To understand where a brand or company really stands on the two dimensions of green market size and the ability to differentiate on the basis of greenness requires careful research. As a good starting point for trying to understand the size of the green market segment, managers should gather data from customer records or surveys to determine whether a significant portion of a brand's current customers fall within the True Blue Green, Greenback Green or Sprout segments. If the brand is not currently appealing very much to those segments, the company would probably not be able to capitalize on becoming greener.

However, if it is discovered that consumers in these segments are very responsive to changes in greenness or that some of the segments might grow when cultivated properly, the market size probably would be high and defensive green or extreme green strategies would be appropriate. Choosing between a defensive or extreme strategy in this situation should be guided by what is learned in additional research on competitors and company capabilities. It should also be guided by consumer research on the non green segments — companies want to be sure they won't suffer costly abandonment of a brand if it is perceived as "too green" by customer segments that are indifferent or even hostile to green product attributes.

If a marketer feels that it is possible to truly differentiate a brand in a way that will be honest, credible and long listing, a shaded green or extreme green strategy will be viable. But if competitors are really better and are capable of maintaining this edge — or if the cost of becoming greener than competitors does not seem worth the effort, given the prospects for additional revenue — then a lean green or defensive green strategy will make more sense.

McDaniel and Rylander (1993) have provided two approaches to green marketing defensive and assertive. Companies that use the defensive approach do the minimum in order to avoid negative consequences. To avoid penalties these companies, meet only the minimum environmental regulations imposed by the government. Most of the companies, which take a defensive approach to green marketing, will not encounter significant increase in market acceptance. Furthermore, these companies are not likely to gain a competitive advantage in this dimension.

The second approach is an assertive approach. Companies that use the assertive approach have the best opportunity for a sustainable competitive advantage in this dimension (McDaniel and Rylander, 1993). Furthermore, this approach often involves having the advantage of being a first mover. Also, the assertive approach responds to market incentives rather than government regulations, meaning that companies exceed what is required by, for example, governments. McDaniel and Rylander (1993) emphasize the importance of being a first mover. In green marketing the first mover advantage is important because the companies following the same practices might be considered imitators jumping on the green bandwagon (McDaniel and Rylander, 1993). Furthermore, the first mover advantage requires good strategic marketing in order to create an image of a sincere environmental activist. This creates the basis for sustainable competitive advantage. Other benefits of the assertive approach include that government agencies are less prone to investigate and control the companies who adopt.

Marketing strategies for green products may not be the same as applied to convention product types. The various evolving marketing strategies are discussed here but consumer behavior is still a big question here as consumer's willingness to pay higher for green product is completely consumer prerogative.

2.2 Role of Informal Sector in Waste Management

Waste Management is essentially involving activities of collecting, sorting, segregating, transporting, recycling and disposal. Contribution of informal waste pickers cannot be subsided as they contribute significantly to waste management and resource efficiency by collecting, sorting, trading and sometimes even processing waste materials. Since a large chunk of population of waste pickers are surviving on this these activities for their bread and butter. The success of waste management processes in any city seems to depend on the capacities of these informal sector participants to organize, to manage their businesses efficiently and to influence public and political opinion, on the political will to integrate the informal sector and on the possibilities for collaboration with the formal private sector and other actors. In developing countries waste management practices although take a leap forward but soon get hampered as the participants of this informal sector are not channelized and ways are being found out to incorporate or regularize these activities and bring Public, Private partnership as a sustained solution. There could be one possible solution that creates sustained livelihood for urban poor is through the incorporation of microenterprises and informal waste recycling cooperatives into the municipal solid waste management system. Research has shown that the promotion of microenterprises is an effective way of extending affordable services to poor urban commies. An example to this is efficient working of the same in some parts of Delhi and Mumbai.

Several studies have shown that these informal recycling activities have positive effects on the environment. They reduce the costs of waste management systems and provide income opportunities for large numbers of poor people involved as rag pickers. If waste management system is to be made efficient then the focus is to be concentrated on efficient collection, segregation and recovery and recycling. These positive effects of informal sector recyclers suggest that the informal sector should be included into the integral design of waste management systems. In different countries and regions, it has been analyzed that the experience of integrating informal sector in waste management, in order to inform future planning and decision-making processes, are fruitful and lead to good results. Informal waste workers have managed to establish organisations and networks in some cases and have become regular partners of municipal government and private enterprises.

Advantages of Informal Sector Integration for Solid Waste Management

The official waste management system in many cities could not be managed without their myriad waste pickers, scrap collectors, traders and recyclers. Although not officially recognized, they often form the very basis of waste collection services, in many cases at no cost to local authorities, central governments or residents. Organically grown informal sector activities are highly adaptable, flexible and able to respond quickly to demand driven forces. Informal waste collectors and recyclers unrelentingly come up with adaptive strategies to access waste and circumvent barriers while at the same time integrating new systems as they emerge. The integration of informal stakeholders increases the efficiency of the waste management system. Integrative and decentralized approaches offer advantages in economic, environmental and social terms and are thus seen as being the most sustainable future alternative in many cities.

Environmental Advantages of Informal Sector Integration

The informal sector achieves high recovery rates (up to 80%) because the ability to recycle is vital for the livelihoods of the people involved. Consequently, a huge variety of recyclables is segregated and can be further processed in accordance with new demands and technological advancements in the recycling industries. A drop-in recovery rates was witnessed in Egypt following private sector involvement in solid waste collection, indicating the important role of informal sector involvement for efficient recycling schemes. By contributing significantly to the recovery of organic waste and nonorganic materials that can be used as secondary raw materials or alternative fuel resources, the informal sector also contributes to the reduction of greenhouse gases and thus to the mitigation of climate change.

Economic Advantages of Informal Sector Integration

Although informal sector activities very often take place outside official and formal channels, unlicensed and untaxed, they nevertheless contribute significantly to the national economy. Scrap collectors are entrepreneurs who add value merely by collecting and then transforming waste into tradable commodities. New enterprises are formed, trading networks evolve, capital accumulation and investments take place and savings are made in terms of raw materials, transport and energy. Furthermore, Labour and employment generation occurs through informal sector integration. Activities supporting informal sector integration include facilitating credit, skills development and improvements in managerial knowhow and marketing to enhance the competitiveness of Labour intensive small-scale activities. unskilled workers are educated, new jobs are created and structural disparities are reduced. All these positive aspects cannot easily be quantified as they take effect at various levels within complex economic networks. Nevertheless, it is clear that the informal recycling economy in solid waste management financially supplements the formal system in many ways.

Social Advantages of Informal Sector Integration

Even though the income and living conditions of informal waste workers differ significantly according to their main activities, the majority of informal waste workers (dump and street waste pickers) constitute the lowest level of society. Working conditions are unimaginable and include permanent exposure to dangerous, toxic and contagious substances. Waste pickers are often bitten by dogs, subjected to harassment from officials, exploited by traders and have no legal protection. They live in inhuman and humiliating circumstances and generally lack of sanitary services, health care and social benefits. Child labor is the rule, not the exception, and life expectancy is low. Their task is carried out in the most dehumanizing manner, with workers obliged to sort through putrefying garbage to retrieve the scraps of paper and plastic that will earn them a living. The departure point for informal sector integration was the endeavor to improve social inclusion and protection. This was initially and exclusively the work of civil rights activists, attempting to help the poorest of the poor. The integration of the informal sector aims to utilize the entrepreneurial abilities of waste collectors to create business models that can be accommodated within present economic paradigms. Integrating informal sector workers has the potential to significantly improve their living conditions. In addition, integration of the informal sector can also help to optimize solid waste management services for formerly underserved poor populations. This can contribute to better public hygiene and health conditions.

As will be shown in this study, various integration measures directly affect the basic needs of informal workers and their families and thus contribute to the establishment of dignified working and living conditions and to the loosening of social stratifications. The official waste management system in urban and urbanized areas could not be managed without waste pickers, scrap collectors, traders and recyclers. Although not officially recognized, they often perform a significant percentage of waste collection services, in many cases at no cost to local authorities, central governments or residents. By its nature, the activity of the informal sector is market driven, leading to highly adaptable and flexible demand driven informal waste collection forces. Generally, the volume of waste generation in rural areas is smaller than in urban areas due to the different consumption habits of inhabitants caused by a generally smaller income. In a variety of countries, only a small share of rural population has access to waste collection services. Usually, informal waste collection is carried out by poor and marginalized social groups who decide for waste picking for income generation and some even for everyday survival.

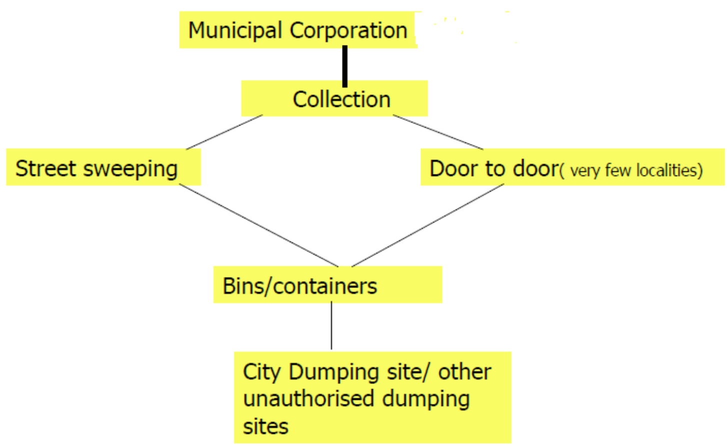

Fig 2.2 Municipal Solid Waste Management Current System

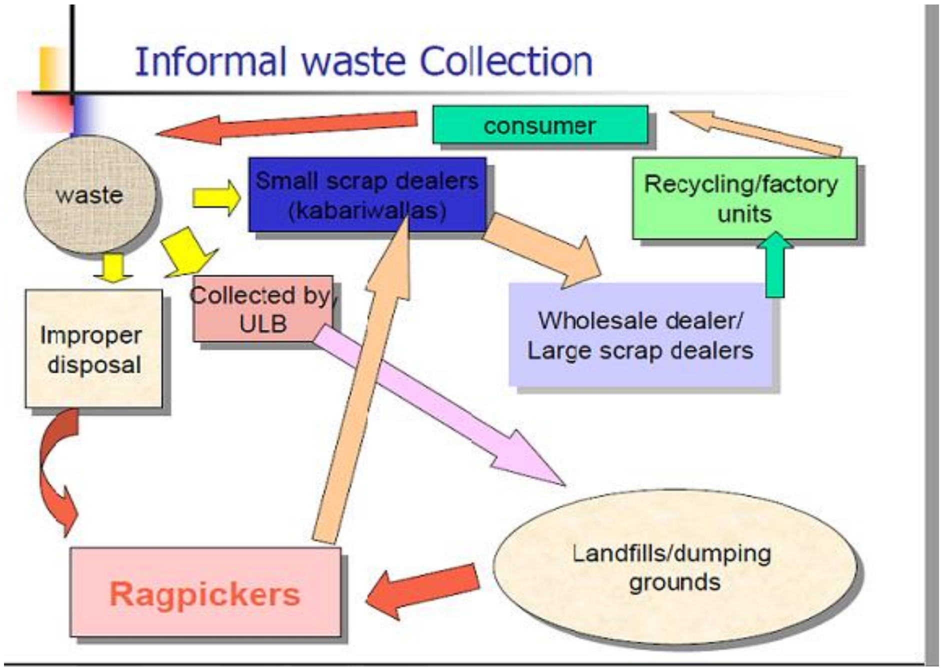

Fig 2.3 Informal waste collection (SourceSciencedirect.Com, Article Informal Waste Collection)

Informal waste pickers are at present an important part of the system. It is to be expected that with increasing economic infrastructural development, their relevance will be decreasing on the long term, but not necessarily. In Vietnam, for instance, the informal sector is included in the waste management system as official power already to collect recyclables from landfill. On the other hand, it might be possible that the informal sector covers especially rural regions, which are less developed in infrastructure and/or which are far from the next recycling centers and not economically manageable with formal waste management activities. In such case, the informal sector could be able to manage those regions with its technical means, for instance horse carriage or smaller motorized vehicles.

2.3 Pricing Policies & Pricing Methods or Determination or the Price

Consumer feel that green products are often "priced" higher than traditional goods, this does not directly mean that they cost more, especially when long term costs are considered. Often, recyclable goods have higher initial out of pocket expenses but considering the long-term benefits, costs get distributed to long period of time. E.g Long-life compact fluorescent light bulbs are much less expensive than traditional ones, but their relatively longer payback period and higher upfront costs discourage their use, making it difficult for many consumers shell out that much amount of money and to think of light bulbs as an investment warranting lifecycle costing. Wherever it is easier to demonstrate cost benefits for less harmful alternatives, it is easy to convince a consumer and purchase is readily made. E.g. the Eco sys printer, is competitively priced and uses less energy and toner than other comparable printers, so it is cheaper than traditional products in both the long and short terms, a benefit that can easily be demonstrated to consumers. Less harmful products may also cost more (out of pocket) in both the short and long terms with no additional financial return. This may be because traditional (non eco-friendly) products do not incorporate all environmental costs associated with their production, so consumers of these goods believe such goods to be cheaper but ideally goods must cover all associated costs. Hence, the pricing strategies for recyclable products are far and by large consumer specific. Although the same are applied for green products as well, which are discussed here.

I. **Cost Plus Pricing** As the name suggests, here the cost of manufacturing a product is taken as the basis to fix the price, then the desired profit is added to the cost & then the final price is fixed. Most of the organizations follow this method. Following are various methods of cost + pricing.
    a. **Price Based on the Total Cost** Here a percentage of profit is added to the cost to calculate the selling price. It is usually followed by the whole sellers & the retailers. For industries such as construction, printing, repair shops, etc. this method is more suitable.
    b. **Price Based on the Marginal Cost** here the price is fixed to recover the marginal cost. Marginal cost is the extra cost incurred to produce one extra. So, this method is suitable only when pricing decisions are to be taken to expand the market to accept the export orders etc.
    c. **Break Even Pricing** Under this method, the price is fixed first to recover the total cost incurred to produce the product, it is fixed in such a manner that the company neither earns profit nor does it suffer losses. This method is suitable during depression when there is acute competition, when a new product is to be introduced or when the product enters the declining stage of its life.

Advantages of Cost + Pricing

1. This method is simple & hence price can be easily determined.
2. Companies, which cannot estimate the demand may follow this method.
3. It is suitable for long term pricing policies

Disadvantages of Cost + Pricing

1. It neglects the demand factor of the product
2. It is difficult to determine the exact cost.

II. **Pricing Based Upon Competition** based pricing as is suggested by its name, here a company tries to maintain its price at par with the competitors. It is suitable when the competition is severe & the product in the market is similar to each other with slight or no difference. This price is also called the going rate price. The company cannot take risk of either increasing the price or decreasing it. Following are some of the methods based upon competition
   - **a. Pricing above the Competition** this method of pricing is followed by reputed manufacturers to take advantage of their goodwill. Good amount of profit margin is earned by the organization. This method is used to extract more profits from upper class & upper middle-class consumers.
   - **b. Pricing Below Competition Level** Wholesalers and retailers offer various kinds of discounts to attract consumers. This method is also adopted by established companies to maintain or to increase their sales during the off season.

III. **Pricing Based on Markets** The manufacturers fix the price for their products depending upon the market of product. In a perfect market, manufacturer has to go for the expected price in the market, also called the market price or going rate price. Manufacturer, is free to fix the price & can effectively practice the price discrimination policy in case of monopoly. The price is fixed by the largest seller called the market leader & others follow him in oligopoly where there are few sellers.

Objectives of Pricing

1. **To Increase the Profit** Every company has an objective to earn profit which covers its expenses. So, company may fix up the price in such a manner that it should earn certain percentage of profits.
2. **Market Share Objective** Some companies have an objective of capturing the market or maintaining their share in the market, so they fix the price accordingly. The objective of these companies is to beat the competition or to avoid the competition.
3. **To Stabilize the Price** Sometime company at the market leader position, wants to avoid price war among competitors thus keeps the prices stable for a long period of time.
4. **To Recover Cost** Hidden objective of the company is to cover the cost of production.
5. **Penetration Objective** Under this objective companies try to gain maximum foothold in the market by keeping the prices as low as possible.
6. **To Maintain the Product Image** with this objective in mind, companies try to keep higher price to create a perception that the product is of superior quality. This is called market skimming strategy.

Factors Influencing the Price Determination

The decision of the organizations about fixing the price is influenced by many factors some of which are controllable but some are uncontrollable. These are

- Product Characteristics.
- Demand Characteristics.
- Manufacturer's Objectives.
- Cost of the Product.
- Economic Condition.
- Government Regulation.

1. **Product Characteristics**
   a. **Product Life Cycle** A manufacturer of a product may charge the price as per the different stages of the life cycle of the product. Manufacturer of new product may charge a lower price & may increase it when the product reaches the growth stage.
   b. **Perishability** Manufacturer charges lower prices for perishable products because it would otherwise be not good for consumption.
   c. **Product Substitution** Manufacturer cannot increase the price if there is substitute available in the market, then the prices will be kept either equal to or lower than the price of the substitute, because if the price is more that the substitute, people may purchase the substitute product only and nobody will buy the product at the higher price.
2. **Demand Characteristics** pricing of product is decided largely by its demand characteristics. It is essential for the company to know the demand forecast and how elastic is the demand before fixing the price of its product.
3. **Manufacturer's Objective** price of the product is set as per manufacturer objective, if he wants to increase the market share, a highly competitive price is fixed. If he has to earn more profits then higher prices must be fixed.
4. **Cost of the Product** It is very obvious that companies fix the price on the basis of cost. Accordingly, selling price is decided as per the total cost-plus profit. Total cost is the sum total which includes manufacturer's cost, administrative cost & selling cost.
5. **Economics Condition** According to the general economic theory, price will not be lower during the depression & higher during the inflationary period. The company has no control over this factor because it is the result of general condition prevailing in the entire country.
6. **Government Policy / Regulation** If government puts a regulation, it may fix minimum price for a product. If it wants to discourage consumptions, it may increase the price & reduce the prices also, to encourage consumption.

   A higher price of recyclable products is posing a challenge for marketers. It leads to higher out-of-pocket prices for recyclable goods and create problems with consumers as consumers generally are willing to pay only a small premium for them while expecting them to perform just as well as other goods. To cover up the costs through increased demand lure the produce to make alterations in product, however, altering the product composition leads to change product performance, thus, presenting a potential challenge for marketers who will need to change what customers define as acceptable.

Pricing of recyclable marketing is crucial considering the fact that when recyclable goods are manufactured and marketed through improved green processes, it directly affects the cost at which green goods are produced. Since these goods support environmental friendliness so the additional value-added product can be attributed for changing its appearance, functionality and customization, etc. (Sharma& Goyal, 2012). Hence, the pricing of recyclable products has typically been higher than conventional products to reflect the added costs of modifying the production process, the packaging or the disposal process. An additional reason for higher prices is also the fact that consumer perceive that they would pay more for recyclable products. Surveys claim that consumers say that they will pay from 7 to 20% more for environmentally friendly products (Reitman, 1992). But the relationship between attitudes and behavior has always been an important one for marketers and it appears to be highly significant especially with recyclable products. This discrepancy may explain the fact that consumers are unwilling to pay more for recyclable products, even though they continue to say they will. The customers are also aware of the benefits given by recyclable products so some of them are even then willing to pay higher prices for the benefits associated with the recyclable products.

2.4 Levels of Product

Each product comprises of five product levels. Each level is intended to add more customer value, and the five levels of product are expected to provide a hierarchy customer value.

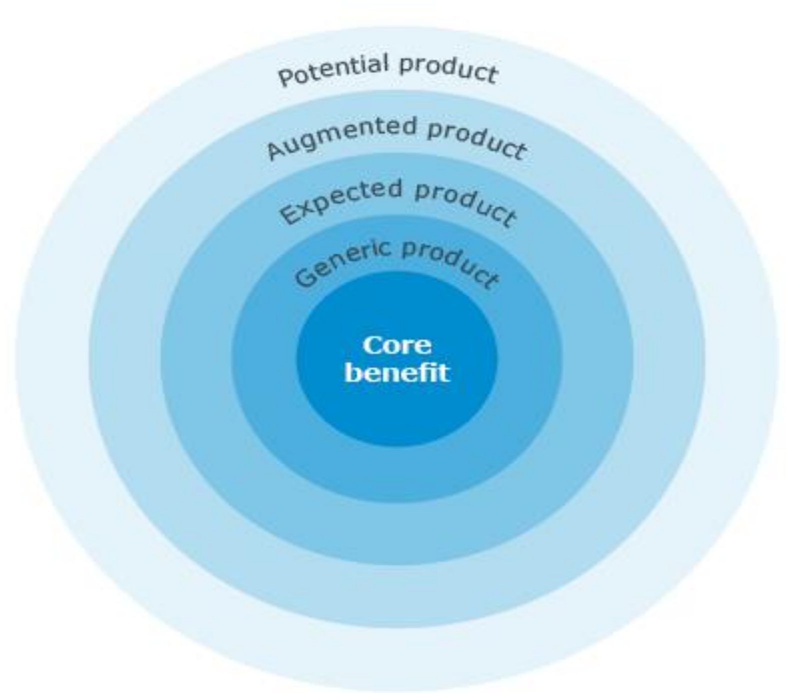

Fig 2.4 Levels of product

Kotler's Five Product Level model

1. **Core Benefit** The first level comprised of the core benefit. The benefit which the product or service is meant to fulfill or the benefit for which the customer is really buying the product or service, comes under core benefit. E.g A guest at Guest house is buying “rest and sleep”. The purchaser of a pen is providing “writing”. For example, consider a Product –car, the core

benefit that it gives, is the ability to move places at a fast pace, hence transportation is the core product that is obtained and all the other features like looks, speed, safety etc are other benefits that come along. Marketers are at the liberty to see themselves as benefit providers. The core Product is not always the tangible physical product. One can't touch it. That's because the core product is the BENEFIT of the product that makes it valuable to the consumers. So, with the car example, the benefit is convenience i.e. the ease with which one can go where one like.

2. **Actual/Basic/Generic Product** This is the second level of product, the core benefits of products are bundled in the form of basic product. As it is evident from the name, the actual product is the actual physical product that one can touch, see, hold and feel. Manufacturing, packaging and presentation all play an important role here. E.g, in a hotel room things like a bed, bathroom, towels, desk, dresser, and closet is also included to give complete rest and nice sleep to the visitor. Suppose a guest has to get up and travel or attend any business meeting the next day, he would like to use dressing mirror and use washroom and other accessories lying there for his comfort. These complete bundles of services present at hotel room comprises of basic product.

   This level of product involves developing product features, design, a quality level, a brand name and even packaging. E.g The smartphone as well as the car are actual products. When smart phone is bought, not just the phone, the packaging, the functionality and so on are also bought. All these factors at the second one of the levels of product relate to the core customer value. The smart phone's name, parts inside, its styling, features, packaging and other attributes all have all been carefully bundled together to deliver the core customer value of staying connected.
3. **Expected Product** At the third level, the marketer prepares an expansion of attributes and conditions buyers normally expect when they purchase the product. These are a set of attributes or characteristics that buyers normally expect and agree to when they purchase a product. For example, when we buy a computer, we expect that the computer is going to deliver fast image processing and has a high-resolution, accurate colour screen. Eg if one goes to stay to a 5-star hotel, one will not only expect a bed, and normal food but lot more is expected. These expectations are built on the fact that the hotel is a 5-star hotel. hotel guest expect a clean bed, fresh towels, working lamps, and a relative degree of quietness and cleanliness.
4. **Augmented Product** that exceeds customer expectations. A BMW or a Mercedes is an augmented product. When get bored and they expect more than the regular and normal features. Companies like Volkswagen, General electric and others, when these companies offered their consumers a new range of premium sports and luxury cars like the BMW, the Mercedes or Audi, the consumers were more than happy with these products. Thus, these products have met beyond the expectations of the customers and have provided much higher customer satisfaction level. Where customers expected normal seats, these seats had warmers installed. The interiors were fantastic and were designed by high end fashion designers. The pickup and handling were much improved and provided excellent experience to the customers. Although hall these comforts were offered at high price, but the product designers of BMW, Audi or Mercedes gave the consumers what they were wishing for. The

consumers got something which was far beyond an expected product. Consumers were offered luxury on four wheels. The augmented product was the desire of the customer, which was converted to reality. Another example is a 5-star hotel, giving a fantastic four course meal, with the relaxation of spa, massage and comfort beyond expectation the excellent ambiance, is serving as an augmented product. In developed countries, brand positioning and competition takes place at this level. In developing and emerging markets such as India and Brazil, however, competition take s place more at expected product level.

5. **Potential Product** It encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search to satisfy customers and distinguish their offering. Research and development department of good organizations is exploring all possible opportunities for the better potential of the already existing products. Each and every company explores the potential of the products they already have in the market. A good example of Potential product is virtual reality where Facebook and Google are competing with each other. Facebook offers Oculus rift for gaming and on the other hand Google provides google glass. Both these organizations are going an extra mile to become leader in the category of Virtual reality, as lot of potential products can be offered through virtual reality. According to Mark Zuckerberg, CEO Facebook, offerings in virtual reality are going to soon abolish the market of television industry.

   It is becoming imperative that organizations must start taking care of the planet and people living on this planet, with the growing concern over ecological issues, it is becoming necessary for any production organisation to go green on a voluntary basis. Figure above suggests how to go about it without taking substantial investment into consideration. An organization can start the greening process first with the internal production since it is under the control of the organisation.

   The challenge rests on research and development wing of the organizations because they will not just be coping with the traditional but the eco-friendliness of the product also has to be imbibed in the designing of the product. These greener products will be able to easily make their place in the markets if these meet the existing safety and environmental norms society.

Targeting

Consumers are becoming conscious of the environment and are forcing organizations to think towards ecology as well. Its Consumer's thrust that has encouraged firms to develop green products, such as energy efficient light bulbs and solar products. The size of this segment may be small, so firms who are taking decisions to produce environmentally green products target small base of consumers but it is unclear to what extent they are willing to purchase goods based solely on environmental grounds. They may expect "green" goods to be competitively priced and perform the same as others. The firms may not be able to do that feasibly, e.g. When the Kyocera Ecosys laser printer was first introduced, it was promoted as a "green" printer. Then later on the focus was later shifted to emphasize product quality as well as its being eco-friendlier and costing less to operate than competitors. Kyocera broadened its initial green appeal to a bigger cross section of the market. Hence, new technologies, are allowing firms to better target existing green consumer segments. The Internet allows ecologically minded firms to target green consumers globally without developing extensive distribution networks. The Eco mall (www.ecomall.com/biz/) is a good example. It promotes a diverse range of environmentally oriented firms, with company listings under 68 different product categories ranging from air purification to wood products. In this way, firms using the Net have making targeting easier and specific target groups may lead to cascading efforts more effectively.

Green Design/New Product Development

Ashley (1993) suggests that 70 percent of a product's environmental harm is designed into the product and the associated production processes. So, firms need to incorporate environmental attributes into products and processes at the initial stages of new product development (NPD) along with other issues, such as quality. They can then use lifecycle analysis to evaluate a product's ecological impact for each production stage. This allows them to identify alternative methods of designing or producing goods.

Consequently, opening up new, untapped industries and markets while cutting production costs. Designing less harmful "traditional" products is an integrated and complex process, requiring innovative designs. Hoover's New Wave washing machines were designed with a revamped water injection system to use less water and be easily disassembled for easier repair and recycling. Individual components were also designed to be less harmful. While some of these eco-changes were relatively minor, others required substantial engineering changes, thus demonstrating the importance of incorporating environmental issues into the early phases of NPD.

As part of this process, a fundamental question needs to be asked. Can new processes be developed to satisfy consumers' needs? In fact, consumers may not have to buy goods if they can purchase the use of the need satisfying capacity instead. This entails rethinking the firm's activities, with a shift in focus from selling physical products to selling their performance (their need satisfying capacities). It also has the potential to actually increase a firm's return on investment. However, such shifts require change on the part of consumers as well as the firm, because consumers must realize that their needs can still be satisfied without having to actually "buy products." Bringing about company and consumer changes at the same time may be a difficult task, especially for firms that are making major changes in products and asking consumers to substantially modify their behavior.

Green Positioning

Green positioning is a question that needs to be asked early in an organization's development. In other words, what are the underlying environmental values and behaviors of the firm and its products? Truly green marketers demonstrate strategic greening by ensuring that all activities and behaviors thoroughly incorporate environmental values into decision-making processes. Environmental criteria should be considered as important as financial criteria. Such firms are rare, although several do attempt to adopt such a position, such as The Body Shop and Blackmores. The performance of any company taking this stance must match its rhetoric and consumer expectations. All corporate activities must support this projected image, or the firm will be "punished" by disillusioned consumers and the media. This consideration is important, because positioning is where many firms misuse tactical greening. Though possibly providing some limited benefit, tactics will be insufficient for positioning a company as green over the long term. Changing corporate actions associated with positioning may be hard, especially when some environmental aspects are beyond the firm's control. What happens, say, if an ecologically responsible raw material disappears? The firm must either produce that input, find an acceptable alternative, stop making the related product(s), or opt for the next best alternative. Unfortunately, the practicalities of most situations would mean opting for the next best environmental alternative, at least in the short term. So, the question then becomes how will consumers react to a move away from the firm's stated "environmental focus"? Deviations from stated corporate Eco values frequently generate extensive negative publicity, usually resulting in lost consumer confidence. It often seems that firms promoting themselves as environmentally responsible are held to a higher standard than others lacking the same Eco values. As a result, some firms undertake strategic greening activities without using these changes for positioning purposes. S.C. Johnson, which markets a wide range of cleaning products, has a strong environmental ethos and has won numerous green awards, but it does not feature these extensively in positioning itself or its products.

Green Marketing Mix

Ginsberg and Bloom (2004) used the primary marketing mix tools of product, price, place and promotion to divide green marketing into four main strategies (1) the lean green strategy, (2) the defensive green strategy, (3) the shaded green strategy and (4) the extreme green strategy. According to scholars, companies that adopt the lean green strategy do not do much to promote their green initiatives and try only to reduce costs by implementing environmental programs. Companies that use the defensive green strategy do so as a precautionary measure to respond to external pressures from competitors and environmental groups. When the shaded green strategy is used, companies normally focus on long term benefits and view green activities as opportunities to create innovative products and technologies. A well-developed system is also used to achieve the desired outcomes. Finally, companies that use the extreme green strategy fully incorporate environmental issues and responsibility into their business strategies and address issues such as pricing, quality and manufacturing for the environment.

2.5 Value Chain Analysis

Value is the total amount i.e revenue that buyers are willing to pay for a firm's products or services. The margin comes from the difference between total value and cost of performing all of firm activities. The tool was developed by Michael Porter in Howard Business School. Porter's definition includes all activities to design, produce, market, deliver, and support the product/service. The value chain is concentrating on all the activities starting with raw materials till the conversion into final goods or services. Value chain for waste material would rather be encompassing collection, segregation, operation, recycling and disposal of waste materials.

It divides the activities into two categories

- Primary Activities (operations, distribution, sales)
- Support Activities (R&D, Human Resources)

The component materials in value chain for waste stream include

- Organics food waste, garden waste i.e. leaves and sticks and wood.
- Paper and office paper, mill scrap, corrugated cupboard and paperboard.
- Plastics and Rubber – polythene packaging, PET bottles, UPVC/PVC materials and LDPE/HDPE materials.

- Metals – ferrous scrap such as household appliances, cans and i.e. iron/steel products and nonferrous scrap including aluminum, copper, lead, tin and precious metals.
- Glass clear glass, green glass, brown glass and other colored glass.
- Textiles – jute sacks, clothing, upholstery, embroidery and carpets.
- Inserts and residues ash from cooking etc, soil and stones
- Miscellaneous waste electrical and electronic equipment (WEEE), waste oils, batteries, composite packaging.

Here an attempt is made to provide narrative description of the relation between the various tiers of value chain participants (or actors) and value chain mapping.

Thin Film Plastics Waste Value Chain

The value chain actors or participants who were identified in this field include the following

- **Value pickers** these include street sweepers/sanitary laborer's employed by the city authorities for the collection of litter from residential colonies, streets and public places. Private individuals get also engaged in this activity to add on to their income. The value pickers are typically those who do not have enough financial resources to either buy and transport large volumes or convert available recyclables.
- **Intermediaries** this refers to the individuals or microenterprises who buy thin film plastic wastes from the value pickers at various locations within the city. These intermediaries subsequently sell the materials to the plastic packaging manufacturing firms. The intermediaries can be categorized into two groups i.e. the bulk buyers and the converters. The bulk buyers who constitute the majority sell the recyclables to end market users after minimal processing usually manual sorting and washing to reduce dirty appearance. Laborers are normally engaged to perform these tasks. The converters rely on machines for manufacturing plastic pellets or granules which earn a higher market price than ordinary recyclables. These plastic converters have to bear the additional costs of electricity, water for processing and the cost of machinery. In spite of these added costs, many of the converters consider the business as very lucrative. Converters purchase recyclables from Value Pickers and make some value turnover.
- **End Market Users** this refers to the plastic manufacturing companies who buy unprocessed or semi processed thin film plastic wastes or secondary raw materials (i.e. plastic pellets) from intermediaries. End market price that local packaging manufacturing companies pay for thin film plastic recyclables varies the price may be reduced if the recyclables contain a lot of foreign material (contaminants) such as liquids, silt, stones etc. The extent of contamination may lead to rejection in some instances.

The value chain map for thin film plastics is presented in Figure 2.5

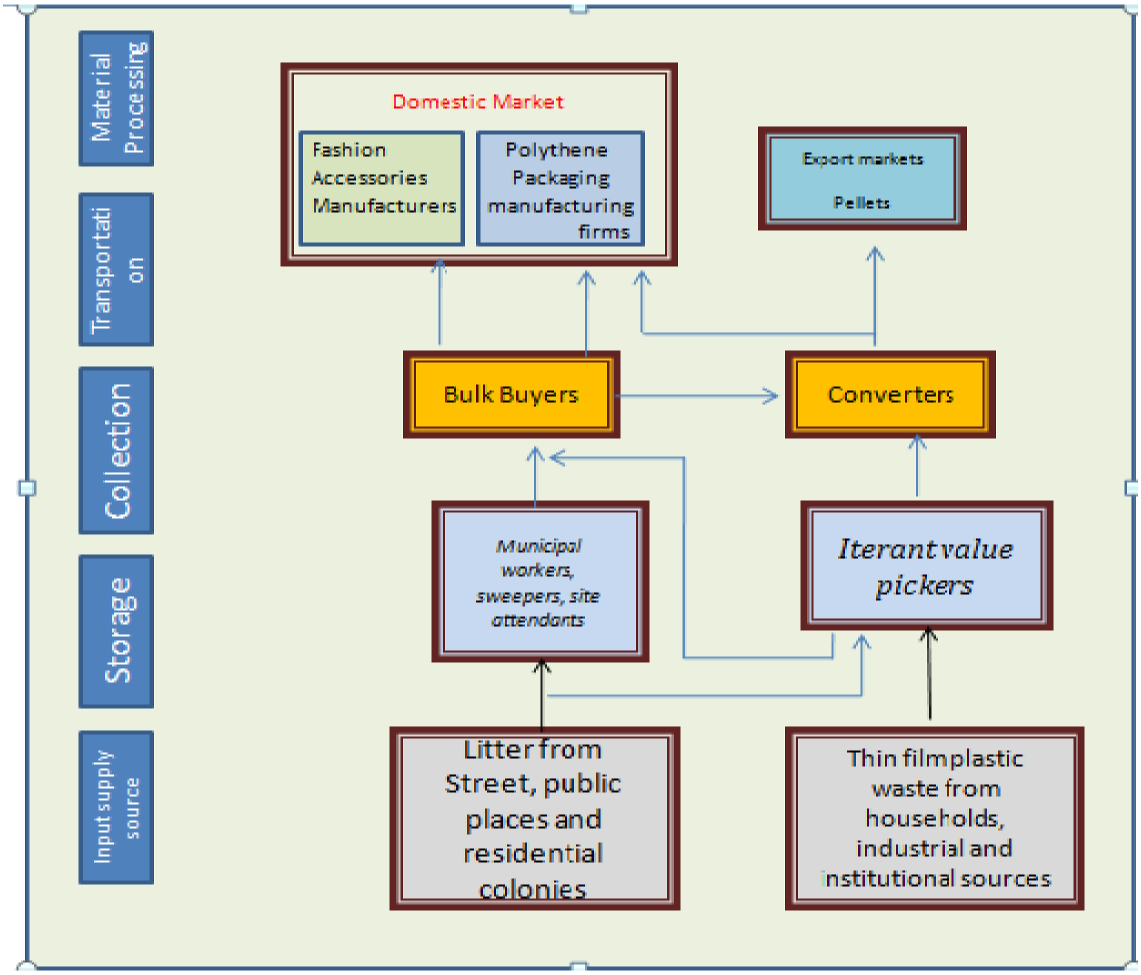

Fig.2.5 Value Chain Map for Thin film Plastics

Thin film plastic wastes typically include empty water and ice cream sachets, black polythene carrier bags, factory floor spoils of sachet water manufacturers and thin film wrappers used by food vendors and shops. The bulk of these high value recyclables are used in the production of pellets which are the main raw materials used mostly by local plastic packaging manufacturing firms. The pellets made from plastic wastes are categorized as secondary raw materials and is about 40% cheaper than virgin raw material. The locally produced pellets are also mixed with imported pellets in proportions depending on the quality of the local pellets. Some of the thin film recyclables i.e. empty water and ice cream sachets are also used as raw material in the fashion accessories industry to produce hand bags, traveling bags, rain coats, jackets etc. This end use activity is currently however very limited due to the lack of patronage of their products on the local market. As such, the quantity of recyclables purchased by these firms is very small compared to that of the packaging manufacturing companies.

The thin film plastics wastes industry is largely controlled by the end market users who determine the market prices they are willing to pay for materials that meet their specifications. The intermediaries and value pickers have to comply with the dictates of the market. End market prices do not necessarily increase during periods of shortage of the feed material since the end users are able to afford purchasing virgin raw materials to make up for the shortfall.

The thin film plastic recycling industry can be considered as a very informal activity at the level of the value pickers and some of the intermediaries. The converters and plastic packaging material manufacturers belong to either the small, medium or large-scale industry category in the country. They do not receive any special subsidies or access to soft loans/credit for using secondary raw materials and thus conserving the nation's natural resources.

Many of the companies like Blow last Ltd have made several representations to both the local and central government agencies and other relevant departments to recognize their contribution to environmental sanitation. Nonetheless, they still do not consider this lack of sensitivity as being major obstacle in meeting their financial turnovers or production targets.

Supporting Markets

The main supporting markets of the thin film plastic industry are the manufacturers of plastic packaging materials and the producers of sachet water who generate a lot of the source materials from their original production. In essence a large percentage of their output gets into the recycling process. Sellers of thin film polythene bags also play a major role in the distribution of these bags which are currently the main packaging materials used in everyday activities i.e. wrapping food etc.

Inter Firm Linkages

The plastic product manufacturers have close linkage with the plastic pellet manufacturers due to the supply chain existing between them. Likewise, the intermediaries who purchase the waste materials from the value–pickers have strong supply chain linkage with the plastic pellets manufacturers since they supply them with their input materials. The number of value pickers is quite large and scattered therefore the intermediaries are unable to serve of all them as desired.

Ferrous Metal Scrap Value Chain

The value chain actors or participants who were identified in the field surveys include the following

- **Value Pickers** This refers to the predominantly male youth who roam the streets of the major urban areas in search of scrap. The value pickers comb the entire city boundaries for the scrap metal. They initially scout for the materials before mobilizing the required financial and logistical resources to move the materials from the point of purchase to the locations to temporary collection point.
- **Intermediaries (Scrap Agents and Dealers)** This refers to the individuals or microenterprises which buy scrap from the value pickers at various locations within the city. These intermediaries subsequently sell the materials to the steel mills or the waste exporters.
- **End Market Users** this refers to the steel mills and scrap exporters who buy scrap from the intermediaries. The scrap metal industry is largely influenced and controlled by prevailing world market price. The end market users rely on a number of intermediate scrap dealers for the regular supply of materials. A major manufacturing firm of Steel Company transacts business with about 50 scrap dealers.

The value chain map for ferrous metal scrap is presented in Figure 2.6

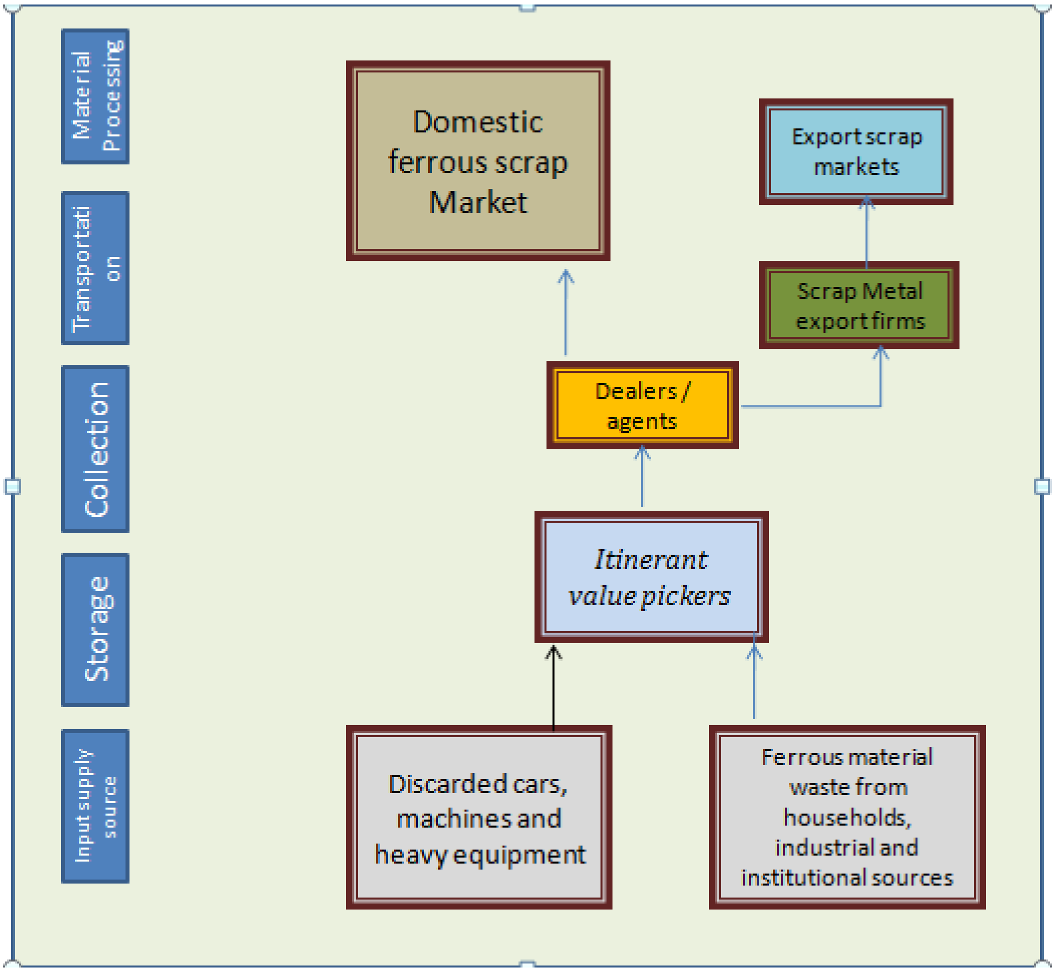

Fig.2.6 Value Chain Map for Ferrous Metal Scrap

Ferrous metal scrap is recycled by the steel mills into iron rods and other steel material like nails for the building/construction industry. The preference for scrap metal as secondary raw material is high because there are limited quantities of virgin raw material i.e. iron ore in the country. Highly oxidized metals i.e. those which are old and rusty attract a lower price. Ferrous scrap is also exported by a number of firms. This has led to the unavailability of high-grade scrap for the local industries.

Supporting Markets

The huge import of secondhand engine blocks, car parts such as doors, bonnets and frames as well as near end of life used electrical and electronic equipment from Europe, Asia and America constitute an important source of supply of scrap metals. Many mechanical engineering workshops which repair motor vehicles and other heavy equipment generate huge amounts of ferrous metal scraps which go to feed the scrap market. Scraps from the building industry also support the industry.

Inter Firm Linkages

The end user steel manufacturers have a supply chain linkage with the scrap dealers/agents. Their linkage is purely on the basis of supply and demand. Likewise, the scrap dealers /agents also have a supply chain linkage with the value pickers which is managed on a supply and demand basis.

Model Questions

1. What are the four Eras of Marketing?
2. Mention step by step evolving marketing strategies?
3. Name and define the two Pricing Strategies for a product known as eatable cutlery.
4. A product called Solar cooker is yet to make its place in households largely just because of pricing issue, comment
5. What is value chain analysis? What are the steps in value chain analysis?
6. Explain value chain analysis for Eco Reco a green paper brand?
7. How would you define a value chain?
8. Is a value chain, supply chain, and demand chain management the same?
9. What are the biggest stumbling blocks in value chain analysis of solid waste management?

Reading Material

1. Marketing Management Philip Kotler
2. Marketing Management T.N. Chhabra
3. Principles of Marketing Armstrong & Kotler

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Chapter 3 Distribution Systems

Introduction

This chapter discusses the importance of role of communication and distribution. Local municipalities lack knowledge about which communication tools are better to overcome these barriers. Thus, although public information and promotion is considered to be fundamental to the success of source waste separation programmers, some local authorities do not adequately promote and advertise waste minimization and recycling, or do it in an inefficient way.

Objectives

1. To understand the importance of role of communication in solid waste management.
2. To provide inputs on how distribution is taken care in solid waste management.
3. To provide insights on various ways of solid waste management.

3.1 Communication

3.2 Distribution

3.3 Solid Waste Management

3.1 Communication

Urbanization and increased population and consumption levels, has increased the amount of waste tremendously and it has become an issue of growing concern. There is basic concern to waste prevention and its reuse/recycling is awareness and communication to the households about how to separate the waste at source. It is an essential prerequisite for success of any recycling programs and it relies on the quality and quantity of materials for recycling. Waste separation can be done either at Material Recovery Facilities or at the household level. The latter approach is considered to be more beneficial however it depends on the willingness of public to conduct the activity, which is perceived to be a big challenge for municipalities in our country. How to involve households in segregating the waste at source, although the factors influencing the behaviour of households are examined, the application of these varies and results show that they do not always lead to desired results, due to lack of awareness, knowledge and participation of people. Also, municipalities lack knowledge about which communication tools are better to overcome these barriers. Thus, although public information and promotion is considered to be fundamental to the success of source waste separation programmes, some local authorities do not adequately promote and advertise waste minimization and recycling, or do it in an inefficient way.

Some of the factors identified barriers influencing public participation in source waste separation were found to include

1. Lack of environmental knowledge and awareness

2. Lack of responsibility and perceived ability to contribute to the problem lack of knowledge on "how to separate"
3. Lack of personal incentives and benefits
4. Weak social norms
5. Perceived barriers about situational factors
6. Old habits
7. Insufficient feedback

The development of common and easily recognized promotion methods through Integrated Marketing Communications would help in promotion of green products. Noncommercial sources information are also to be used to promote the benefits of green products such as universities and TV, radio and newspaper news reports will also build consumer confidence. Just like any integrated marketing communication approach, green marketing must involve extensive coordination among several means of communication across different functional areas to be effective. Some of them are identified as

1. **Approaches as Participation in Decision Making**
2. **School Education**

   School education in districts where source waste separation is introduced should be organized. Young students should be made aware of the activities of waste management. Awareness regarding waste management at source should be made realized to them. They should be asked to pass on the benefits of waste segregation to their families also where people are not educated to understand the effects of these.
3. **Mass Media**

   Involving mass media in organizing promotion campaigns related to awareness of good practices of reducing waste at source should be encouraged. Communication about segregating kitchen waste and other waste should be spread through mass communication.
4. **Visits to Recycling Facilities**

   Students visit to recycling facilities should be conducted to make them realize how important it is to be an integral part of reverse logistics of solid waste management.
5. **Monetary Rewards**

   Scheme of monetary rewards should be introduced to promote the various activities related to logistics of solid waste management including collection, segregation, transportation, recycling and disposal.
6. **Prompts**, public surveys the primary communication tools to eliminate these barriers are organizing surveys as a form of participation in decision making process with provision of balanced information that could raise awareness and help people to realise their role in problem resolution.
7. **Goal Setting**

   The method of goal setting could be used as additionally tools. Competition among districts or villages can be conducted to infuse the feeling of competitiveness and thus goals can be set for cleaning and greening.
8. **Promotion Through Internet**

   Generation who knows the importance of communication through internet can be communicated over repeated flash of advertisements on internet.

9. **Interpersonal Communication**
   Among communication approaches, interpersonal communication and involvement of caretakers are appropriate tools to help people arrange their waste separation in an easy way and also identify and overcome other barriers.
10. **Advertising**
   If source waste separation could gain public participation through continuous and well-planned work on public education and motivation for source waste separation practice. Environmental knowledge of population on waste issues and its negative impacts is very low and has the tendency to forget to continue to do the same means "out of eyes out of sight mentality". Advertizing on local newspaper or through radio advertisements can serve the task of reminding people to continue to do good work.
11. **Public Commitments Etc**
   Large majority of population have a positive attitude to source waste separation, ready to segregate and separate into different bins. The issue is chain of resourcing the solid waste gets broken and has loose ends at many places as a result the efforts of those people are ephemeral and goes away in small duration of time. Public commitments through local political leaders may create an impact and public may be interested then to continue the same.
12. **Feedback**
   Providing feedback information is of high importance in places where interpersonal communication can make lot of difference. Municipalities should provide citizens with achievements and proofs that their participation really helps to solve problems with waste in the cities. The possible benefits of source waste separation – cleaner district area or investments in local infrastructure are efficient ways of observable feedbacks to community. The important aspect is that the information should be presented in a way to target both responsibility feelings and to show how citizens can contribute to the problem.
13. **Ecological Footprint**
   Additionally, such communication tools as calculation of ecological footprint – to show the personal impact on environment, exhibitions aimed to shift "paradigm of waste" to "resource", visits to recycling facilities or video showing how recycling facilities work could also be utilized. Providing straightforward environmental information in promotional materials for the need of waste separation and visits to landfills are considered to be less efficient communication tools.
14. **Incentives**
   Incentives for source waste separation like (1) contribution to the cleanliness of the district and (2) investment of the profits from selling the recyclables into local infrastructure, should be introduced. Personal financial and non monetary incentives in form of recycled products or uses of recycled products into infrastructure development should be introduced.
15. **Developing Social Norms,** The social norms could be enhanced by provision of the results of surveys showing that the majority of citizens support waste separation, which should shift the general opinion that other citizens are not willing to participate.

Strategic greening in one area may or may not be leveraged effectively in others. Organizations must ensure that green marketing activities are integrated holistically, especially if they are used in positioning or promotional activities. Thus, care must be taken while implementing green marketing.

Separation of waste in households is a widespread practice in modern waste management systems. Waste separation programmes are dependent on the voluntary agreement of the public to do the separation and success of it is considered to depend on promotion and public information. Various communication tools can help to overcome specific barriers to public participation in waste separation. Such barriers can be removed only through proper and relevant communication, various communication tools are identified through the previous and experiences from other parts of the cities where the work is been carried out with success.

3.2 Distribution

This is a rapidly emerging field since environmental consciousness has become intertwined with everyday life and sound business practices (Intergovernmental Panel on Climate Change 2007). A 2003 report by U.S based nonprofit government consulting institute, LMI Research Institute, mentions that, particularly in the manufacturing sector, there has been increased scrutiny of the items being purchased for use in various processes, the effects of processes, and the packaging and delivery of the products. The effort to reduce the impact of these activities on the environment has been labelled as green supply chain management. This report states that "Firms have generally taken two approaches to greening their supply chains. The first looks externally to its various suppliers. Suppliers are asked to provide evidence of their operations meeting relevant environmental requirements and, in some cases (Toyota and Ford for example), evidence of ISO14001 certification. The second approach is an internal examination of how a firm design, produces, and ships its products." (LMI Report 2003, p. 2.8) Examples have also begun to emerge from practice regarding the economic benefits of the adoption of the green practices. Commonwealth Edison reported financial benefits of $50 million annually from managing material and equipment with a lifecycle management approach. Pepsi saved $44 million by switching from corrugated to reusable plastic shipping containers. Similar savings have been reported by Texas Instruments and Dow Corning (Wilkerson 2005). Rao and Holt (2005) specifically mention that greening different phases of a supply chain may eventually result in an integrated supply chain, which in turn would ensure better economic performance and competitiveness.

The research area of green supply chain management has opened up several interesting and challenging problems for both the practitioners and researchers. However, very few studies have addressed the issue of coordinating the green supply chain. Green marketing is a natural outgrowth of growing societal concern over the environment and is still in its infancy and likely to be a growth area because of the persistent nature of our world's environmental problems. Commitment by business organizations to improve the environment and consumer support of these efforts through the purchase of green products, are keys to the future of green marketing. When firms view environmental objectives on the same level as other corporate objectives, the green issues are incorporated into the firm's strategy and then integrated into its tactical activities. Companies must consider the environmental impact of a product throughout its complete life cycle. Every aspect of the product design, production, packaging, use and disposal, provides an opportunity for a company to not only protect the environment but also benefit from positive consumer attitudes towards the environment. Not all consumers are strongly influenced by green marketing.

Ultimately, green products will generate the greatest sales advantage if their price point is close to similar, less environmentally friendly, products. Thus, more efficient means of development and production will be necessary to assure reasonable profit margins. Managers, in selling and promoting green products, should expect to be met by an increasingly suspicious consumer. Claims must be substantiated if they are to have the desired positive effect.

Strategic greening in one area may or may not be leveraged effectively in others. Organizations must ensure that green marketing activities are integrated holistically, especially if they are used in positioning or promotional activities. Thus, care must be taken while implementing green marketing.

This relationship gives rise to three consequences of greening efforts, which could lead to increased profits of a firm. The first consequence could be price premium that a firm could charge its consumers because of its greening efforts. This could be possible due to the positive image that a company builds as an environmentally conscious concern. The second consequence could be reduction in cost per, which can be facilitated by effective green manufacturing and remanufacturing efforts (e.g., reduction, recycling, refurbishing, reuse, etc.). Finally, the third consequence could be demand expansion, which refers to the increase in quantity demanded of a firm's products as a result of its greening efforts. To differentiate between the first and third consequences, while the price premium effect is meant to reflect the consumers' tendency to be willing to pay more for its greening efforts, the demand expansion effect means that, given two manufacturers selling nearly identical product, a customer would be more will be willing to purchase the one that is more environment friendly. It is clear that the latter effect may arise independently of the relative prices of the products.

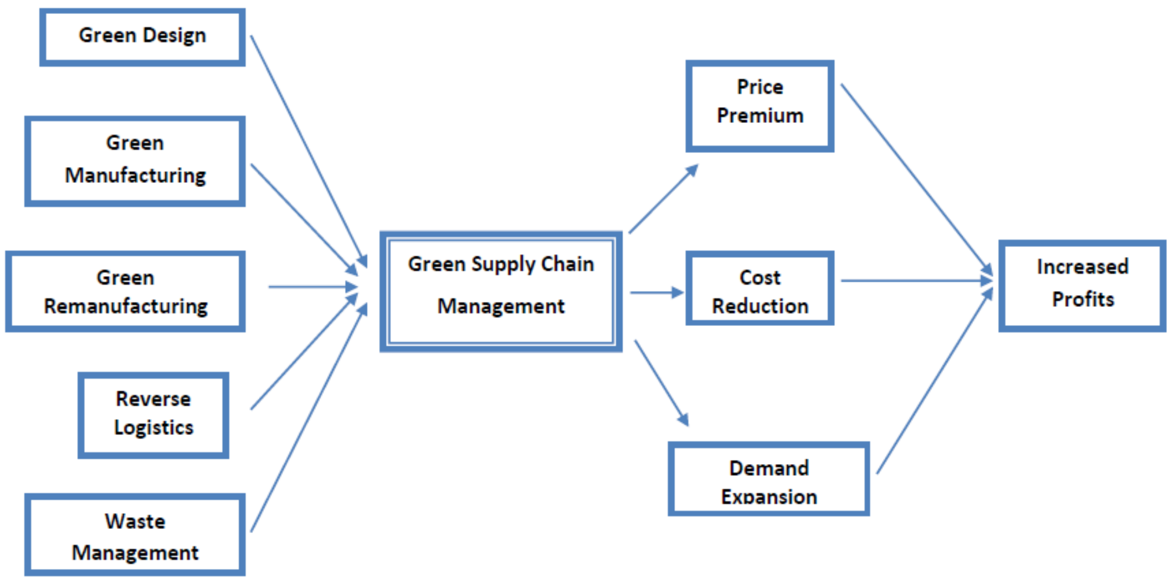


Fig 3.1 Antecedents and consequences of green supply chain management

Environmental collaboration can be defined as the direct involvement of an organization with its suppliers and customers in planning jointly for environmental management and environmental solutions. The focus is on collaboration between a focal plant and its suppliers and/or its customers. Within a rich collaborative context, suppliers and customers plan together the reduction of environmental impact from production processes and products. Environmental collaboration includes the exchange of technical information and requires a mutual willingness to learn about each other’s operations in order to plan and set goals for environmental improvement. It also implies cooperation to reduce the environmental impact associated with material flows in the supply chain (Bowen et al., 2001 Carter and Carter, 1998).

Finally, environmental collaboration comprises a good understanding of each other’s responsibilities and capabilities in regard to environmental management. This definition contrasts with similar concepts put forward in the literature. First, environmental collaboration activities are not concentrated only on products (Bowen et al., 2001), but also include production processes. Second, unidirectional and control-oriented activities such as site audits, questionnaires, and other buyers’ requirements that are often blended in the conceptualization of green supply chain (Zhu and Sarkis, 2004) are not included in environmental collaboration instead, the focus is on environmental collaboration, not environmental monitoring (Vachon and Klassen, 2006).

As such, environmental collaboration focuses less on the immediate outcome of the supplier or customer environmental efforts (e.g., compliance to existing regulations), and more on the means by which more environmentally sound operations or products might be achieved. Because each focal plant acts as a buying organization to its suppliers and as a supplier to its customers, such collaboration can take place simultaneously upstream with the suppliers, as well as downstream with the customers (Vachon and Klassen, 2006).

Traditionally, from the business perspective, the issue of environmental consciousness, or “green management”, had raised a conundrum in which economic concerns were perceived at odds with the ecological concerns. Lately, however, the literature has begun to recognize the needlessness of this “stalemate” between being green and competitive (Porter and van der Linde 1995 Rao and Holt 2005). GrSCM integrates environmental thinking into supply chain management (SCM). Firms engaging in green supply chain management have experienced many benefits, both environmentally and financially. Following are some of the examples of the companies regarding the economic benefits of the adoption of the green practices. For example, Commonwealth Edison reported financial benefits of $50 million annually from managing material and equipment with a lifecycle management approach. PepsiCola saved $44 million by switching from corrugated to reusable plastic shipping containers for one liter and 20ounce bottles. Similar savings have been reported by Texas Instruments and Dow Corning (Wilkerson 2005). Nestlé employs an ongoing, companywide sustainability program that has generated significant environmental and financial benefits. Heineken committed to reduce fuel and electricity use through its “Aware of Energy” program. In addition, a Mckinsey report in April 2012 has introduced a new concept of supply circles. Shifting from supply chains to supply circles manufacturers can evolve from linear to circular operating models—repairing, recycling, and reinventing products, components, and materials—that can reduce costs and improve productivity in a more environment friendly manner.

It is clear that any major greening project would require efforts on the part of the entire supply chain, as discovered by Walmart (Playback 2007). However, very few studies have addressed the issue of coordinating the green supply chain. We focus on the vertical conflicts in a green supply chain, that is, the conflicts between the players at the upstream (say, a manufacturer) and downstream (say, a retailer) levels of the chain. Some pertinent questions in this regard are Who should be investing in the greening effort? Should it be retailer, or manufacturer, or both? Should they work on greening initiative independently? Should different entities in the supply chain coordinate the greening effort? If yes, then how? Should the greening efforts be outsourced? And so on. As mentioned earlier, although a lot of work is beginning to emerge in the important area of green supply chain management, few analytical modelling-based studies have been proposed in the literature. It is clear that such studies would be highly desirable from knowledge development perspective, and to answer important questions such as greening efforts by upstream and downstream players, impact on prices due to greening effort, channel coordination mechanism and so on. A beginning in this context has been made by state-of- the- art research work by Swami and Shah (2012). The proposed research work falls in this stream of research and aims to extend it further with newer dimensions and complexities.

3.3 Solid Waste Management

In the 21st century, the sustainable management of municipal solid waste (MSW) will become necessary at all phases of impact from planning to design, to operation, and to decommissioning. As a consequence, the spectrum of new and existing waste treatment technologies and managerial strategies has also spanned from maintaining environmental quality at present to meet sustainability goals in the future. Such an orderly evolution allows both waste management industries and government agencies to meet common needs of waste management with greatest green potential, to recycle materials out of waste streams, to enlarge the renewable energy supply, to seek for more socially acceptable options, and to preserve biodiversity and natural ecosystems simultaneously. To achieve such goals, all technical and nontechnical aspects of a solid waste management (SWM) system should be analyzed as a whole, since they are interrelated with one another and developments in one area frequently affect practices or activities in another area (UNEP, 2005). Management of municipal solid waste involves (a) development of an insight into the impact of waste generation, collection, transportation and disposal methods adopted by a society on the environment and (b) adoption of new methods to reduce this impact.

Solid Waste Generation

An indication of how and where solid wastes are generated is depicted in a simplified form in Fig. 3.2.

Both technological processes and consumptive processes result in the formation of solid wastes. Solid waste is generated, in the beginning, with the recovery of raw materials and thereafter at every step in the technological process as the raw material is converted to a product for consumption. Fig. 3.3.2 shows generation of solid waste during technological processes involving mining, manufacturing and packaging.

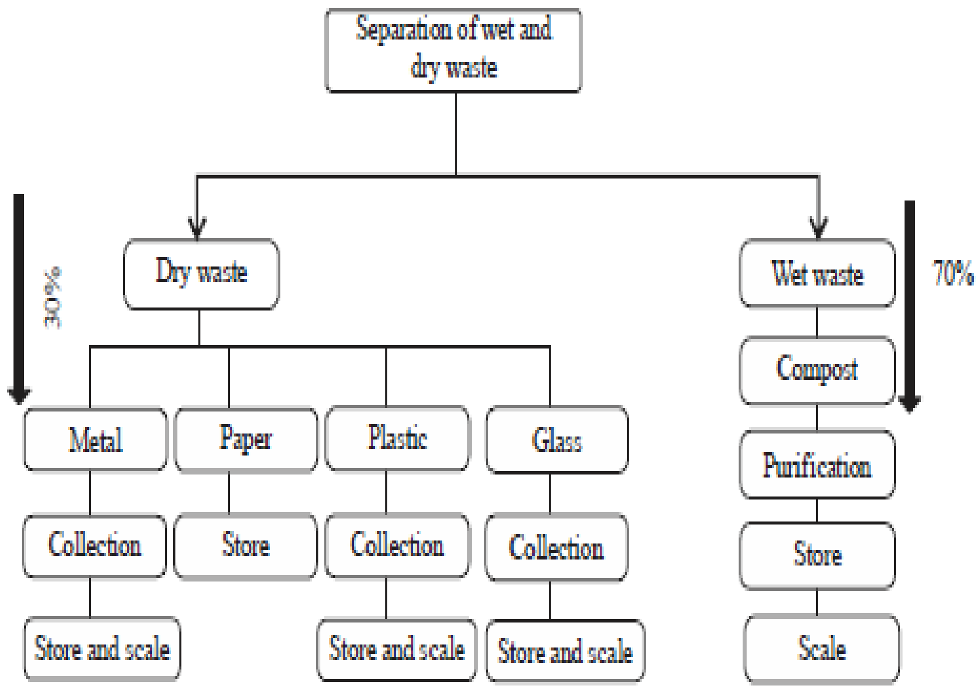


Fig. 3.2 Generation of Solid Wastes

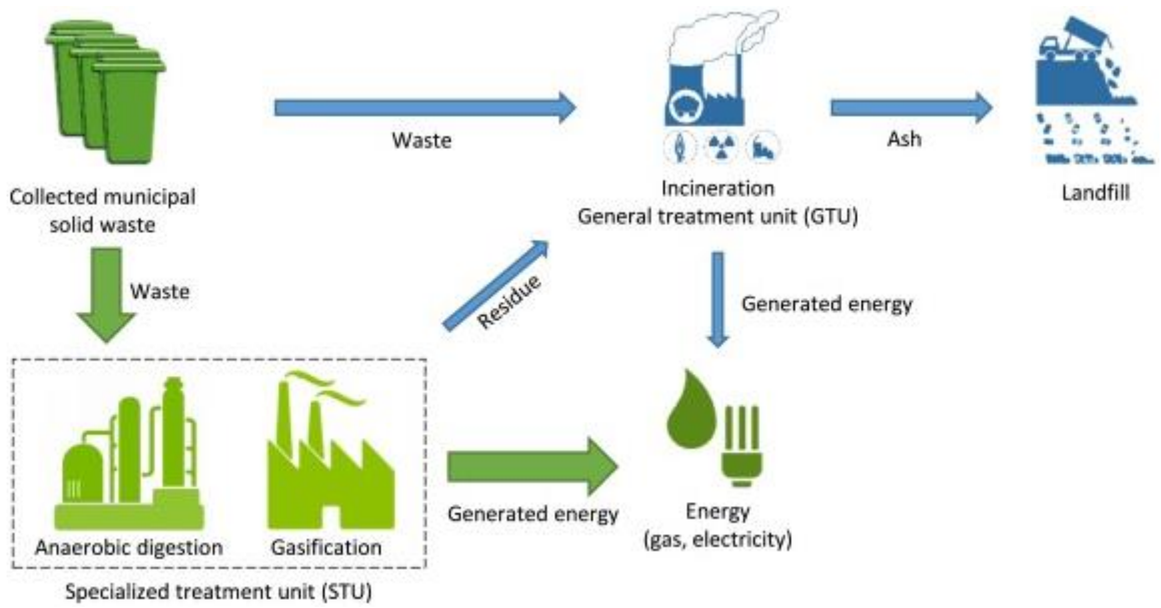


Fig. 3.3 Generation of Solid Waste during Technological Processes Involving Mining, Manufacturing and Packaging

The process of consumption of products results in the formation of solid waste in urban area. In addition, other processes such as street cleaning, park cleaning, wastewater treatment, air pollution control measures etc. also produce solid waste in urban areas.

A society receives energy and raw material as inputs from the environment and gives solid waste as output to the environment. In the long-term perspective, such an input output imbalance degrades the environment.

Environmental Impact of Solid Waste Disposal on Land

When solid waste is disposed of on land in open dumps or in improperly designed landfills (e.g. in low lying areas), it causes the following impact on the environment.

a. ground water contamination by the leachate generated by the waste dump
b. surface water contamination by the runoff from the waste dump
c. bad odor, pests, rodents and windblown litter in and around the waste dump
d. generation of inflammable gas (e.g. methane) within the waste dump
e. bird menace above the waste dump which affects flight of aircraft
f. fires within the waste dump
g. erosion and stability problems relating to slopes of the waste dump
h. epidemics through stray animals
i. acidity to surrounding soil and
j. release of greenhouse gas

Objective of Solid Waste Management

The objective of solid waste management is to reduce the quantity of solid waste disposed off on land by recovery of materials and energy from solid waste. This in turn results in lesser requirement of raw material and energy as inputs for technological processes.

Principles of Municipal Solid Waste Management

Municipal Solid Waste Management involves the application of principle of Integrated Solid Waste Management (ISWM) to municipal waste. ISWM is the application of suitable techniques, technologies and management programs covering all types of solid wastes from all sources to achieve the twin objectives of

(a) waste reduction and (b) effective management of waste still produced after waste reduction.

Waste Reduction

It is now well recognized that sustainable development can only be achieved if society in general, and industry in particular, produces 'more with less' i.e. more goods and services with less use of the world's resources and energy) and less pollution and waste. Production as well as product changes have been introduced in many countries, using internal recycling of materials or onsite energy recovery, as part of solid waste minimization schemes.

Effective Management of Solid Waste

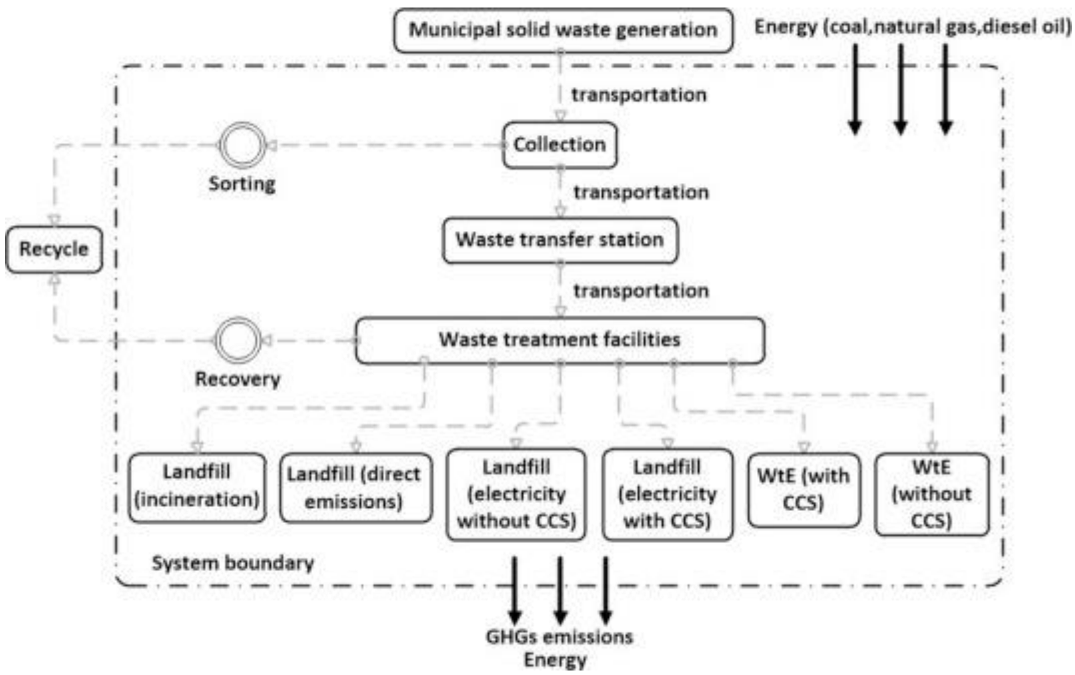
Effective solid management systems are needed to ensure better human health and safety. They must be safe for workers and safeguard public health by preventing the spread of disease. In addition to these prerequisites, an effective system of solid waste management must be both environmentally and economically sustainable.

- Environmentally sustainable It must reduce, as much as possible, the environmental impacts of waste management.
- Economically sustainable It must operate at a cost acceptable to community.

Clearly it is difficult to minimize the two variables, cost and environmental impact, simultaneously. There will always be a trade off. The balance that needs to be struck is to reduce the overall environmental impacts of the waste management system as far as possible, within an acceptable level of cost.

An economically and environmentally sustainable solid waste management system is effective if it follows an integrated approach i.e. it deals with all types of solid waste materials and all sources of solid waste. A multilateral, multisource management approach is usually effective in environmental and economic terms than a material specific and source specific approach. Specific wastes should be dealt with in such a system but in separate. An effective waste management system includes one or more of the following options

a. Waste collection and transportation.
b. Resource recovery through sorting and recycling i.e. recovery of materials (such as paper, glass, metals) etc. through separation.
c. Resource recovery through waste processing i.e. recovery of materials (such as compost) or recovery of energy through biological, thermal or other processes.
d. Waste transformation (without recovery of resources) i.e. reduction of volume, toxicity or other physical/chemical properties of waste to make it suitable for final disposal.
e. Disposal on land i.e. environmentally safe and sustainable disposal in landfills.



Functional Elements of Municipal Solid Waste Management

The activities associated with the management of municipal solid wastes from the point of generation to final disposal can be grouped into the six functional elements (a) waste generation (b) waste handling and sorting, storage, and processing at the source (c) collection (d) sorting, processing and transformation (e) transfer and transport and (f) disposal.

Waste Generation Waste generation encompasses activities in which materials are identified as no longer being of value (in their present form) and are either thrown away or gathered together for disposal. Waste generation is, at present, an activity that is not very controllable. In the future, however, more control is likely to be exercised over the generation of wastes. Reduction of waste at source, although not controlled by solid waste managers, is now included in system evaluations as a method of limiting the quantity of waste generated.

Waste Handling, Sorting, Storage, and Processing at the Source The second of the six functional elements in the solid waste management system is waste handling, sorting, storage, and processing at the source. Waste handling and sorting involves the activities associated with management of wastes until they are placed in storage containers for collection. Handling also encompasses the movement of loaded containers to the point of collection. Sorting of waste components is an important step in the handling and storage of solid waste at the source. For example, the best place to separate waste materials for reuse and recycling is at the source of generation. Households are becoming more aware of the importance of separating newspaper and cardboard, bottles/glass, kitchen wastes and ferrous and nonferrous materials.

Onsite storage is of primary importance because of public health concerns and aesthetic consideration. Unsightly makeshift containers and even open ground storage, both of which are undesirable, are often seen at many residential and commercial sites. The cost of providing storage for solid wastes at the source is normally borne by the household in the case of individuals, or by the management of commercial and industrial properties. Processing at the source involves activities such as backyard waste composting.

Collection The functional element of collection, includes not only the gathering of solid wastes and recyclable materials, but also the transport of these materials, after collection, to the location where the collection vehicle is emptied. This location may be materials processing facility, a transfer station, or a landfill disposal site.

Sorting, Processing and Transformation of Solid Waste The sorting, processing and transformation of solid waste materials is the fourth of the functional elements. The recovery of sorted materials, processing of solid waste and transformation of solid waste that occurs primarily in locations away from the source of waste generation are encompassed by this functional element. Sorting of commingled (mixed) wastes usually occurs at a materials recovery facility, transfer stations, combustion facilities, and disposal sites. Sorting often includes the separation of bulky items, separation of waste components by size using screens, manual separation of waste components, and separation of ferrous and nonferrous metals.

Waste processing is undertaken to recover conversion products and energy. The organic fraction of Municipal Solid Waste (MSW) can be transformed by a variety of biological and thermal processes. The most commonly used biological transformation process is aerobic composting. The most commonly used thermal transformation process is incineration.

Waste transformation is undertaken to reduce the volume, weight, size or toxicity of waste without resource recovery. Transformation may be done by a variety of mechanical (eg shredding), thermal (e.g. incineration without energy recovery) or chemical (e.g. encapsulation) techniques.

Transfer and Transport The functional element of transfer and transport involves two steps (i) the transfer of wastes from the smaller collection vehicle to the larger transport equipment and (ii) the subsequent transport of the wastes, usually over long distances, to a processing or disposal site. The transfer usually takes place at a transfer station.

Disposal The final functional element in the solid waste management system is disposal. Today the disposal of wastes by landfilling or uncontrolled dumping is the ultimate fate of all solid wastes, whether they are residential wastes collected and transported directly to a landfill site, residual materials from Materials Recovery Facilities (MRFs), residue from the combustion of solid waste, rejects of composting, or other substances from various solid waste processing facilities. A municipal solid waste landfill plant is an engineered facility used for disposing of solid wastes on land or within the earth's mantle without creating nuisance hazard to public health or safety, such as breeding of rodents and insects and contamination of groundwater.

Case Study of Pune

Pune is the 2nd largest city in Maharashtra after the capital city Mumbai. It is the 9thlargest city in India with a population of over 3.1 million. The Pune Municipal Corporation (PMC) is responsible for collection, storage, segregation, transportation and disposal of all solid waste generated in the city.

Waste Management Process in Pune

The city of Pune generates about 1300 to 1400 metric tons of solid waste per day. The majority of which comes from households (40%), hotels and restaurants (25%), and other commercial establishments (25%).1 Waste is segregated and the PMC has implemented the mandatory system of separating dry and wet waste. The PMC also only collects segregated waste which has forced households to do the segregation themselves. The PMC has also adopted a decentralized process where the municipality is not the only actor that has a monopoly on the management of waste. About 500 metric tons of waste is handled by NGOs, material vendors, and waste pickers.13 The transportation of waste is done through the PMC's own workers and vehicles (such as Ghanta trucks, 8 compactors, hotel trucks, dumper placer, and tractors) that collect from households and locations around the city where containers are present.

The PMC disposes waste with the Effective Micro Organism (EM) method. This reduces the harmful gasses and the polluted smell. With microbes digesting the matter, the waste turns into high quality compost that is given to farmers. Wet waste is disposed with vermicompost and there exists a waste to energy program. The existing disposal site is 20 kilometers away in Unalienate which is 165 acres.

Despite the decentralized policies that have integrated the informal sector, the PMC faces enormous challenges. First, Door to door collection of waste through joint cooperation has worked well in different parts of the city but it doesn't cover the entire city. There is a need for more agencies to collect waste from all households. Secondly, Biogas plants haven't produced the desired results in parts of the city after the protests by residents in UraliDevachi and Phursungi for the dumping of waste from the city at the disposal sites. Thirdly, there has been the closure of the large garbage processing plant and other plants have closed due to financial losses. And lastly, there are no methods for disposing construction waste which is now being dumped on roads and in water all across the city.

Sustainable Models

Despite the difficulties, there has been successful incorporation of the informal sector, the private sector, and NGOs to build a decentralized approach to waste management. There are two initiatives taken by the PMC in recent years that are sustainable measures that can be replicated elsewhere should there be the political will to implement them. These are

1. Waste Picker Cooperation

a. The PMC has established a rapport with the waste pickers and created the SWaCH model in 2007 with the waste picker trade union KagadKach Patra Kashatakari. As part of their partnership, the PMC has financed SWaCH's administrative staff and provided the waste pickers with uniforms, shoes, coats, brooms, and cycle rickshaws for the waste pickers that are performing door to door collection. The waste pickers also are able to retain dry waste and resell it for earnings. The waste picker collective also receives monthly fees per household that uses the service. The waste pickers will also compost waste for a fee to households. The decentralized model for the PMC has been cost effective and sustainable for the livelihoods of around 2,000 waste pickers who collect waste every day in Pune.

2. Zero Waste Model in Katraj

The project was facilitated by the NGO, Janwani, and funded by Cummins India. The PMC implemented its solid waste program along with SWaCH. The zero-waste ward has resulted in 100% of households receiving door to door collection and 100% segregation of dry and wet waste at source collection. Households and commercial properties were responsible for segregating the waste which is the major selling point of the sustainability of the model. The model enhances the profile of the waste pickers and produced cleaner streets free of garbage. The implementation of the model has also been selected to be replicated in other wards with Janwani and the PMC facilitating and working with other stakeholders in the solid waste management field. Tin cans, manure, grass, obsolete herbicides, paper bags, plastic festal, expired drugs, potato peelings.

HINT	Hazardous	Nonhazardous
Compostable		Manure, grass, paper bags, potato peelings
No compostable	Obsolete herbicides, expired drugs	Tin cans, plastic festal

Model Questions

1. How would you define a value chain?
2. Is a value chain, supply chain, and demand chain management the same?
3. What are the biggest stumbling blocks in value chain analysis of solid waste management?
4. What percentage of our garbage can be composed because it is made up of plant matter?
5. Can you name something made from recycled glass?
6. How would you define a value chain?
7. Is a value chain, supply chain, and demand chain management the same?
8. What are the biggest stumbling blocks in value chain analysis of solid waste management?
9. Identify two important indicators used to monitor solid waste management in a community. Describe how you would assess them.

a. Hint: There are several possible indicators that can be used to assess waste management practices. These include the number of households with a compost pit, whether there is a communal refuse pit, the number of people using a communal pit, if there is one, whether the refuse pits are fenced and managed, and others. You would assess these indicators by visiting the community, observing people's practice and discussing with them what they did with their solid waste.

10. Categorize the different kinds of waste listed below as hazardous or nonhazardous, and as compostable or no compostable.
11. How would you define a value chain?
12. Is a value chain, supply chain, and demand chain management the same?
13. What are the biggest stumbling blocks in value chain analysis of solid waste management?

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Chapter 4 ICT in Marketing

Waste management is not the largest livelihood provider in rural India; however, the opportunities are available throughout the places without even differentiation of rural or urban places. Waste management can affect the overall productivity of the nation, in every sector. The agriculture, the industrial one, the services sector, you just need to name one. Waste management may enhance economic wellbeing of the population and may generate the employment on the board. Yes, the biggest challenge is to manage the use of technology in this sector. That is why Information and Communication Technology (ICT) in waste management can act as a driving force in its development process. ICT is combination of two different technologies IT (Information Technology) and CT (Communication Technology/ through Telecom) and together shaped as ICT, i.e., Information Communication Technology. For a longer duration, the world was talking about the IT and CT as two different domains. The convergence of above two has brought a revolution in the field of marketing and especially in the Waste management.

Objectives

When you read this block its end, you should be able to:

1. Define and clearly understand that - what is ICT? Why it is important? How it plays an important role in marketing?
2. Explain why ICT is crucially important to the success of marketing activities.
3. Explain the critical success factors needed for ICT and marketing both.
4. Distinguish how to motivate, energize and flow the power of ICT for the smoothness of marketing activities.

4.1 ICTs in waste Marketing

4.2 Role of Social Media

4.3 Promotion mix elements

4.4 Role of contemporary modes of marketing communications

4.1 ICTs in Waste Marketing

The increased waste generation is because of higher growth in population and change in lifestyles. Residential and commercial wastes generated in the urban areas in either solid or semi-solid form including bio-medical wastes increases the municipal solid waste. Safe and cost-effective management of solid waste is getting a higher challenge for significant social, environmental and health for modern society. This is also being noticed by policy makers the first important movement in this direction was taken by present Honour able Prime Minister Shri Narendra Modi Ji.

Most of these wastes are dangerous to the environments and hence causes sustainability challenges to the environment and to the policy makers too. Proper waste management is key in ensuring the health and wellbeing of any nation. This chapter explored the need for proper waste disposal, it challenges and prospects. It then demonstrated the role of ICT in providing effective communication process for solid waste collection, transfer and disposal by proposing a novel ICT-based framework for that.

The utmost challenges facing developing countries are the unhealthy disposal of solid waste which resulted from human activities of development and survival. Awareness and attitude of people in the community appear to be crucial. The problem of waste management has arisen recently in developing countries where there is little history of the implementation of formal and informal community environmental education awareness program. Community participation significantly reduces the cost of waste collection. Information communication technology (ICT) significantly assists the acquisition and amalgamation of knowledge, offering developing countries unprecedented opportunities to enhance educational systems. This chapter is to attract your attention towards the gauge the effectiveness of raising awareness regarding domestic solid waste management (SWM) within the society using computer aided tools (CAL).

The study done by Pratima Pandit Wagh from University of Pune was conducted to find knowledge of college students with respect to Solid waste management by using developed communication methods. Her study had performed the survey conducted with 50 students. Preliminary data was collected by using questionnaire, before and after employing CAL tool. Development of effective knowledge regarding SWM using multimedia package is guiding factor in this project. The findings of her study suggest that CAL tool developed by investigator were effective in raising knowledge of students regarding SWM.

Throughout the world many case study and research paper are written on the concept. We will look on the some of them.

Indian cities (only urban part) alone produce more than 100,000,000 tonnes of solid waste a year. It is estimated that up to 40% of municipal waste in India remains uncollected. A large number of cities do not have any processing facilities which mean that the municipalities tend to haphazardly dump wastes all over the landfills. Lack of storage and collection facilities, segregation of waste, pollution and contamination due to dumping of garbage on roads, open transportation in trucks, space constraint.

Figure 4.1 Swachh Bharat Mission

Considering the social, environmental and health impact of waste management and sanitation, Government of India has launched Swachh Bharat Mission. The objective of the Mission is to improve solid waste management practices leveraging modern technologies, eliminate open defecation and manual scavenging by providing toilet facility, capacity augmentation of ULBs, involving private sector, bring behaviour change and social change.

While the Government is committed to building millions of toilets to eliminate open defecation, technology plays an important role in improving solid waste management, sanitation and citizen communication/awareness.

Technology can provide visibility on city sanitation & solid waste management, route planning for garbage collection, resource optimization, efficient asset management, efficient maintenance, visibility of waste bins, air quality measurements etc.

According to one of the articles published in Economic Times, there are some key technologies, which are relevant to achieve objectives of Swachh Bharat Mission. Following includes

1. **Online Platforms** Online platforms provide options and alternatives to the user to look into reusing old stuff. The existing user is also encouraged to look for options to sell and regain value from the product before discarding the product as waste.
2. **Analytics** Accurate projections on total waste generated, waste type and identification of high waste generation areas enable effective planning and management of solid waste management services. Use of analytics during events with large citizen involvement such as festivals and fairs can ensure smooth collection and transport of waste.
3. **Crowd-sourcing** Citizens can be encouraged to report (web/mobile/social channels) waste-related activities which need urgent attention from the authorities.
4. **Sensor-Based Waste Collection** Sensor-based waste bins to identify status of waste bins if it is empty or filled so as to customize the waste collection schedule accordingly and save costs.
5. **Automated Waste Collection System** Automated Waste Collection System (ACS) is a long-term solution and can take care the conventional methods like door-to-door, curb-side, block, community bins collections and transportation via chute system from high rise buildings with waste sucked though pipes and minimal human intervention.
6. **GPS Devices and Sensors on Waste Truck** GPS technology to route the waste collection trucks to optimize the collection efficiency and ensure contractors dump waste in designated places. It will also give a clear picture of waste generated per ward.

7. **Sensor-Based Sorting** waste material with the use of sensor technology helps in smart sorting. The sensor technology can recognise materials based on their visible spectrum or colour with infrared/ultraviolet spectra or based on their specific and unique spectral properties of reflected light, or atomic density or conductivity/permeability or atomic characteristics
8. **Pollution Sensors** Leverage the pollution sensors to gauge pollution levels at landfills.
9. **Energy Simulation (Waste to Energy)** Use of energy simulation software and analytics can provide accurate projections of waste generation and energy production from waste.
10. **Analytics-Based Landfill Management** Accurate waste generation and collection projections along-with break-up of type of waste can enable smart landfill management.
11. **Integrated Asset Management Solutions** Integrated asset management of all waste infrastructure assets including the associated data, processes, information systems and governance for manageable operations and higher sustainability.
12. **Business Process Automation** Re-engineer, optimise and automate business processes using business process management solution to have a fully integrated and policy-driven set of automated business processes that increases efficiency and reduces service delivery costs.
13. **Workforce and Resource Management** Leverage the workforce and resource management solutions to improve workforce engagement and task management. Optimise the workforce with the help of workforce management solutions like planning, forecasting and scheduling, shift management, mobile applications to execute tasks and efficient performance management tools.
14. **City Performance Management** Monitor the performance of city subsystems through the use of digital technologies and big data analytics to manage city governance, efficient performance and proactive crisis management.
15. **Integrated Command and Operations Centre** Leverage integrated command and operations centre to monitor city services on real-time. Improve/synchronize maintenance activities to reduce downtime and improve maintenance effectiveness.
16. **Geospatial Dashboard** Bin locations, landfill locations, waste management assets need to be mapped in geospatial system.

The Case Study SBM

The Swachh Bharat Mission will cover 4041 urban areas in India in next 5 years. Meeting the Swachh Bharat mission objectives will require a huge social change and change in the way cities handles waste & sanitation. Technology will become the key enabler in improving efficiency & capacity of city services to improve waste & sanitation value chain. Technology will also enable real time governance & control of waste and sanitation value chain for Swachh & Smart Bharat.

Activity 1	THE ECONOMIC TIMES
Question Scan the QR code, read the article carefully and enumerate the process of SWM using ICT technologies. Prepare a list of at-least 10 ICT application.	

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Activity 2 Observe the Videos

ICT base resources for waste management

A futuristic model on How can IoT help with waste management

4.2 Role of Social Media

It is the internet version of Word of mouth promotion by establishing a social media presence whether through a profile or blog businesses enables users to share its content across their own social media channels easily. These distributions system is attracted to marketers because an announcement of sales or a product becomes a credible peer to peer recommendation when shared by a user. Furthermore, the casual nature of social media can help in deepen consumer cynicism about marketing and aid brand appeal. Moreover, because marketers can often target ads to people based on information and their profiles social media sites are valuable add spaces well. In waste management the social media plays a vital role in promoting the awareness. How to manage and collect the waste, majorly all the places, is the role of social media. Following are some popular ways or platforms of social media

Facebook

In 2004, Mark Zuckerberg (a Harvard student) launched a website designed for students to share with one another, share their photos & to meet new peoples. Initially, it was called as "thefacebook.com". and before long the site became extremely popular on the Harvard campus. A month after the site launched creators expanded it the students of Stanford, Columbia and Yale. In 2005, students from 800 college networks across the united states could join the network. Its membership grew to over 5 million active users. Later in August of that year, the site name changed to "facebook.com".

It was originally interned for college students, but today anyone can join the network. Although the side scope has expanded to include more than just students, its purpose remains same giving people a way to share information in an easy an entertaining way. It is termed as social networking sites.

Today there are more than 1.6 billion daily users on Facebook. Infect one out of every 9 people has a Facebook account. Where 50% of them log on every single day. More than one million websites have integrated with Facebook in various ways. 77% of B2C companies and 43% of B2B companies acquired customers and developed clientele from Facebook

Advertising is not about getting your ads in front of as many people as possible. Successful promotion is about getting your business and your communication to the people who are ready to buy your products or services. The common problem with the most form of adverting is that large portion of people who see you add will never be interested in what you have to offer. You are literally wasting your considerable chunk of advertising budget. Does it not make sense to go where your potential customers are? The Facebook is the option out in such condition.

Unlike conventional advertising, Facebook uses dynamic strategies where people can post, talk about, share and even recommend their favorite products and services. Unlike the offline world where you can only communicate with one or two friends at a time. Facebook allows users to promptly share their message and thoughts with hundreds of friends all at once. One of the other great things about Facebook is it allows you to identify your target demographics and exclude everyone else. You can advertise based on Age, Location, Interests, Income level, education and so long. This means your message only shown to those people who are interested in your products and services. Facebook also permits you to have a two-way communication with your customers allowing them to give direct feedback & suggestions. Even review about your business. With Facebook, you can not only generate leads for your business but you build a real association which develops more of your customers into repeat buyers.

YouTube

With a large number of social media channels available, people often overlook the power of YouTube. It hosts 144 million unique viewers each month which is equivalent to one-third of entire USA population. In return, this generates nearly hundred video views per person per month which is roughly fifteen minutes a day. YouTube has surpassed Yahoo as number second in search engines. Google purchased YouTube in the year 2006 which allowed which allows for a higher chance of reaching page one in google searches. A site from increasing your search results YouTube video page action bar allows for a cross-platform interconnectivity & social networking. It allows the user to Connect and send your YouTube content across some social networks. Therefore, all your contacts are updated instantly. YouTube is also regarded as a social network because it allows a user to subscribe a particular channel, like or dislike the video according to their own individual interests and also enables the users to write comments in the comments sections of YouTube. It allows businesses to create a bond with their targeted audiences.

In the present context, YouTube is a powerful social media marketing tool because marketing in YouTube results into traffic generation, search engine optimization, cross-platform interactivities, increase social networking opportunities, and it also increases mobile access.

LinkedIn

Do you want to acquire high paying customers for your business to boost profits for companies? Do most of the social media platforms do not enable you to connect with targeted professionals?

LinkedIn is the solution then because it has more than 380 million members and this number is growing up at an alarming rate with more than 2 new signups per second. LinkedIn receives almost 12 million unique visitors per day. Executives from all fortune 500 companies are on LinkedIn. Over 80% of leads produced through social media for B2B marketers come from LinkedIn. LinkedIn is the most widely used business-centric social platform that enables you to connect with professionals.

In simple terms, LinkedIn provides a vast pool of valuable resources needed to rise steeply your business. Numerals of business organisations are willing to tap into LinkedIn to get more leads, more offers. LinkedIn marketing helps you to connect with the precisely targeted professional audience. It allows business to shape their brand image without expensive campaigns. Through it, one gets the chance to connectivity easily with the vendor, future partners and clients. It helps in generating organic leads & converting prospective leads to customers.

It enables you to launch new products and services in an ideal marketplace. One could also get positive recommendations and feedbacks which mean you can build tonnes of persistent connections that can benefit your business in the long run. LinkedIn provides a better ROI on your marketing efforts by using the largest network of professionals available.

There exist numerous business opportunities on LinkedIn, the marketers must be aware of the right way to approach to the customers through LinkedIn which would aid in building a profitable network of buyers where you can communicate about your business and products. Most importantly, you will be able to build meaningful and result in oriented business relationships.

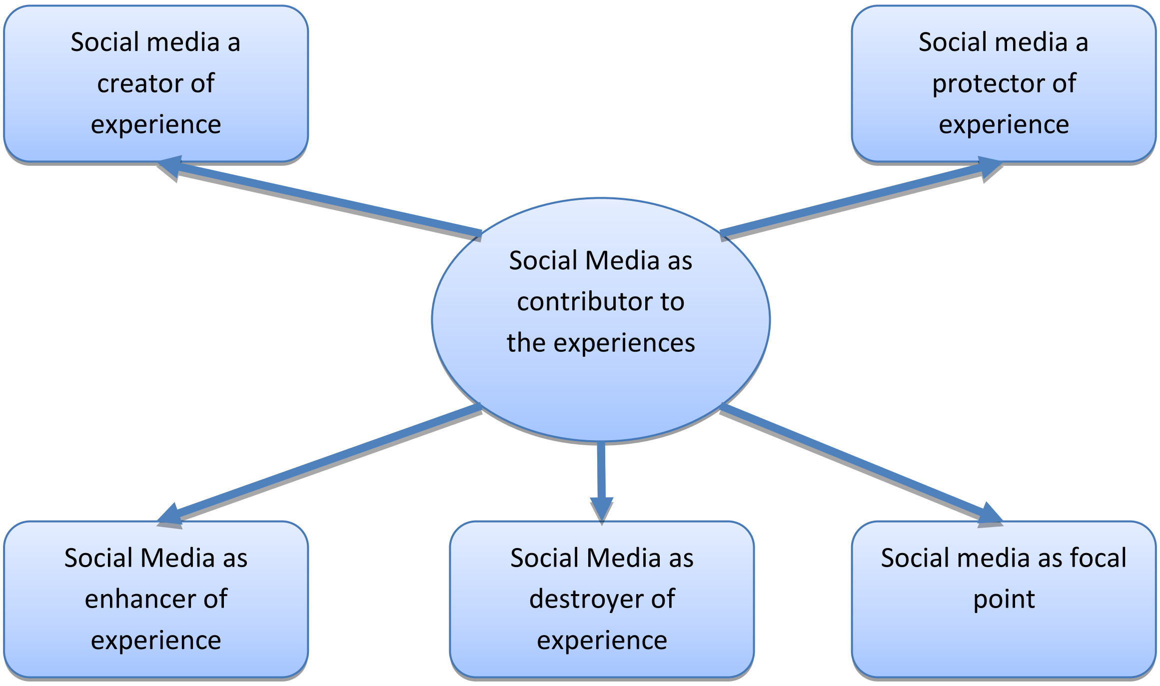
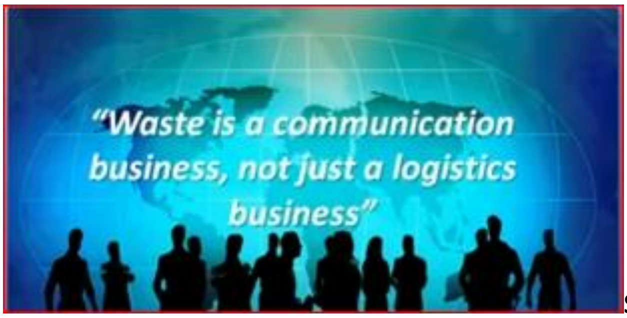


Figure 4.2 Technology or social media as contributor to the growth of SWM

Activity 3 Observe the Videos and Prepare the summary only in 10 lines



Social Media for Better Waste Management, 2015 Global Dialogue on Waste

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4.3 Promotion Mix Elements

The fourth P of marketing mix is detailed as promotion mix. Promotion mix, several times is known as Marketing Communication Mix. This is consisting a combination of advertising, sales promotion, public relations (PR), personal selling, sales promotion, and direct marketing. These tools company uses to communicate customer value and thereafter build customer relationship Definition of these five major elements of Promotion Mix is as follows

Advertising

Any paid form of non-personal presentation and promotion of ideas, goods, or services, by an identified sponsor. Advertising includes broadcast, print, Internet, outdoor, and several other forms.

Sales Promotion

Short-term incentives to encourage the purchase or the sales of a product or services. Sales promotion includes – discounts, coupons, displays and demonstrations.

Public Relations Building good relations with the company's various public by obtaining favourable publicity, building up a good corporate image and handling or heading off unfavourablerumours, stories, and events. Public relations include – press release, sponsorships, special events, and specified web pages for internal and external publics.

Personal Selling

Personal presentation by the firm's sales force for the purpose of making sales and building customer relationship. Personal selling includes – sales presentation, trade shows, and incentives programs.

Direct Marketing

Direct connections with carefully targeted individual consumers to both obtain and immediate response and nurture lasting customer relationship. This may be the use of direct mail, internet, email, the telephone, direct response telephone, and other tools of communication to interact directly with the specific and targeted consumers. Direct marketing includes – catalogue presentation, telephone marketing, kiosks, the Internet, and some more live activities in the marketplace.

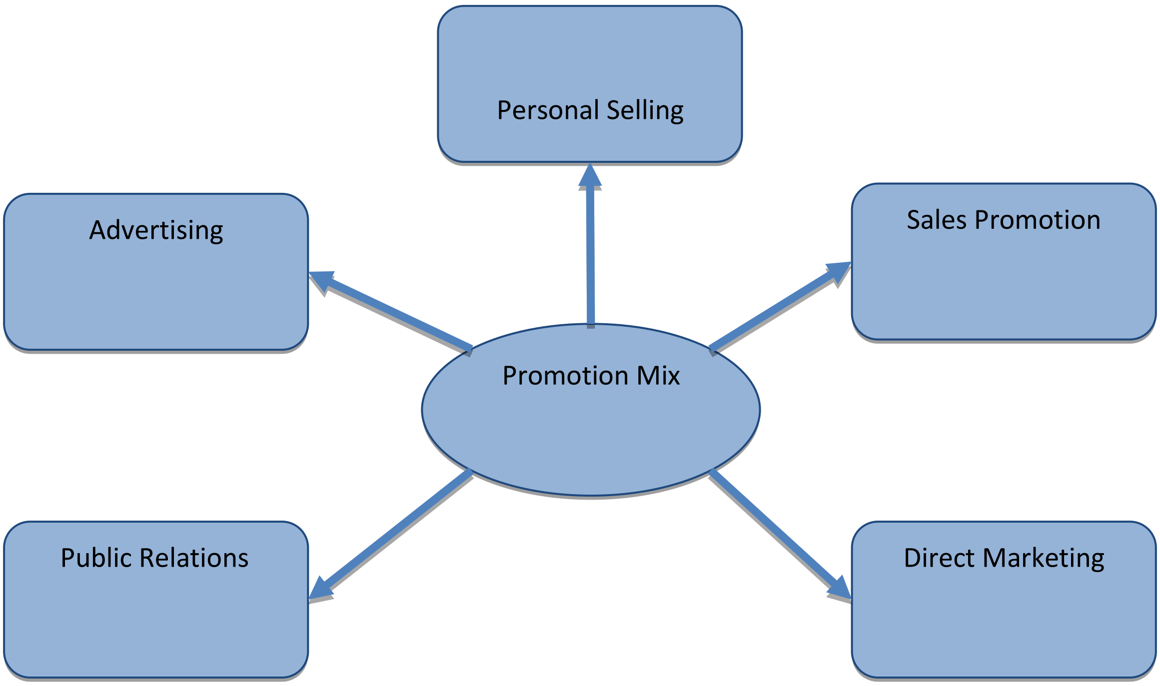

Figure 4.3 Elements of Promotion Mix

Each category involves specific promotional tools used to communicate with consumers. The examples of individual categories are given above. Experts say, that marketing communication goes beyond these specific promotion tools.

Figure 4.4 The Modern Practices - Seven Common Methods of Marketing Communication

Activity 4 Observe the Videos and Prepare the Notes	
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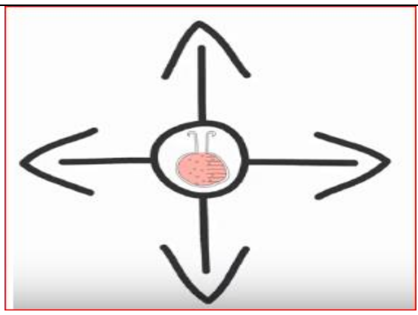 …………………………………………………………………………… …………………………………………………………………………… …………………………………………………………………………… ……………………………………………………………………………	

4.4 Role of Contemporary Modes of Marketing Communications

1. The IMC (Integrated Marketing Communication)

In past decades, marketers have perfected the art of mass marketing – selling highly standardised products to masses of customers. For that process they have developed effective mass media communication techniques to support those mass marketing strategies. Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers—directly or indirectly—about the products and brands they sell. In a sense, marketing communications represent the voice of the company and its brands; they are a means by which the firm can establish a dialogue and build relationships with consumers. By strengthening customer loyalty, marketing communications can contribute to customer equity.

Marketing communications also work for consumers when they show how and why a product is used, by whom, where, and when. Consumers can learn who makes the product and what the company and brand stand for, and they can get an incentive for trial or use. Marketing communications allow companies to link their brands to other people, places, events, brands, experiences, feelings, and things. They can contribute to brand equity—by establishing the brand in memory and creating a brand image—as well as drive sales and even affect shareholder value.

Table 4.1 Common Communication Platforms using IMC

Advertising	Sales Promotion	Events and Experiences	Public Relations and Publicity	Direct and Interactive Marketing	Word-of-Mouth Marketing	Personal Selling
Print and broadcast ads	Contests, games, sweepstakes, lotteries	Sports	Press kits	Catalogs	Person-to-person	Sales presentations
Packaging–outer	Premiums and gifts	Entertainment	Speeches	Mailings	Chat rooms	Sales meetings
Packaging inserts	Sampling	Festivals	Seminars	Telemarketing	Blogs	Incentive programs
Cinema	Fairs and trade shows	Arts	Annual reports	Electronic shopping		Samples
Brochures and booklets	Exhibits	Causes	Charitable donations	TV shopping		Fairs and trade shows
Posters and leaflets	Demonstrations	Factory tours	Publications	Fax		
Directories	Coupons	Company museums	Community relations	E-mail		
Reprints of ads	Rebates	Street activities	Lobbying	Voice mail		
Billboards	Low-interest financing		Identity media	Company blogs		
Display signs	Trade-in allowances		Company magazine	Web sites		
Point-of-purchase displays	Continuity programs					
DVDs	Tie-ins					

2. Marketing Communication Effects

The way brand associations are formed does not matter. In other words, whether a consumer has an equally strong, favorable, and unique brand association of Subaru with the concepts "outdoors," "active," and "rugged" because of exposure to a TV ad that shows the car driving over rugged terrain at different times of the year, or because Subaru sponsors ski, kayak, and mountain bike events, the impact in terms of Subaru's brand equity should be identical.

But these marketing communications activities must be integrated to deliver a consistent message and achieve the strategic positioning. The starting point in planning marketing communications is a communication audit that profiles all interactions customers in the target market may have with the company and all its products and services. For example, someone interested in purchasing a new laptop computer might talk to others, see television ads, read articles, look for information on the Internet, and look at laptops in a store.

3. The Communications Process Models

Marketers should understand the fundamental elements of effective communications. Two models are useful a macro model and a micro model.

Micromodel of the Communications Process

This model shows a micromodel with nine key factors in effective communication. Two represent the major parties—sender and receiver. Two represent the major tools—message and media. Four represent major communication functions—encoding, decoding, response, and feedback. The last element in the system is noise, random and competing messages that may interfere with the intended communication. Senders must know what audiences they want to reach and what responses they want to get. They must encode their messages so the target audience can decode them. They must transmit the message through media that reach the target audience and develop feedback channels to monitor the responses. The more the sender's field of experience overlaps that of the receiver, the more effective the message is likely to be. Note that selective attention, distortion, and retention processes—may be operating during communication.

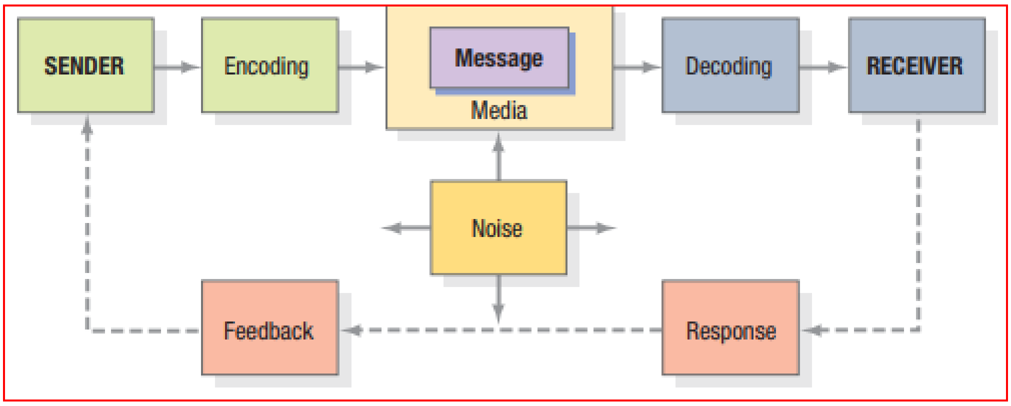

Figure 4.5 Elements in Macro model of Communication

Micro model of Consumer Responses

Micro models of marketing communications concentrate on consumers' specific responses to communications. Figure below summarizes four classic response hierarchy models. All these models assume the buyer passes through cognitive, affective, and behavioral stages, in that order. This "learn-feel-do" sequence is appropriate when the audience has high involvement with a product category perceived to have high differentiation, such as an automobile or house. An alternative sequence, "do-feel-learn," is relevant when the audience has high involvement but perceives little or no differentiation within the product category, such as an airline ticket or personal computer. A third sequence, "learn-do-feel," is relevant when the audience has low involvement and perceives little differentiation, such as with salt or batteries. By choosing the right sequence, the marketer can do a better job of planning communications. Following are the elements of Micro model of communication

- **Awareness** If most of the target audience is unaware of the object, the communicator's task is to build awareness. Suppose Pottsville seeks applicants from Nebraska but has no name recognition there, although 30,000 Nebraska high school juniors and seniors could be interested in it. The college might set the objective of making 70 percent of these students aware of its name within one year.
- **Knowledge** The target audience might have brand awareness but not know much more. Pottsville may want its target audience to know it is a private four-year college with excellent programs in English, foreign languages, and history. It needs to learn how many people in the target audience have little, some, or much knowledge about Pottsville. If knowledge is weak, Pottsville may select brand knowledge as its communications objective.
- **Liking** Given target members know the brand, how do they feel about it? If the audience looks unfavorably on Pottsville College, the communicator needs to find out why. In the case of real problems, Pottsville will need to fix these and then communicate its renewed quality. Good public relations call for "good deeds followed by good words."

	Models			
Stages	**AIDA Model**[a]	**Hierarchy-of-Effects Model**[b]	**Innovation-Adoption Model**[c]	**Communications Model**[d]
Cognitive Stage	Attention	Awareness Knowledge	Awareness	Exposure Reception Cognitive response
Affective Stage	Interest Desire	Liking Preference Conviction	Interest Evaluation	Attitude Intention
Behavior Stage	Action	Purchase	Trial Adoption	Behavior

Figure 4.6 Elements in Micro model of Communication and Comparison of Models

- **Preference** The target audience might like the product but not prefer it to others. The communicator must then try to build consumer preference by comparing quality, value, performance, and other features to those of likely competitors.
- **Conviction** A target audience might prefer a particular product but not develop a conviction about buying it. The communicator's job is to build conviction and intent to apply among students interested in Pottsville College.
- **Purchase** Finally, some members of the target audience might have conviction but not quite get around to making the purchase. The communicator must lead these consumers to take

the final step, perhaps by offering the product at a low price, offering a premium, or letting them try it out. Pottsville might invite selected high school students to visit the campus and attend some classes, or it might offer partial scholarships to deserving students.

To increase the odds for a successful marketing communications campaign, marketers must attempt to increase the likelihood that each step occurs. For example, the ideal ad campaign would ensure that

1. The right consumer is exposed to the right message at the right place and at the right time.
2. The ad causes the consumer to pay attention but does not distract from the intended message.
3. The ad properly reflects the consumer’s level of understanding of and behaviours with the product and the brand.
4. The ad correctly positions the brand in terms of desirable and deliverable points-of-difference and points-of-parity.
5. The ad motivates consumers to consider purchase of the brand.
6. The ad creates strong brand associations with all these stored communications effects so they can have an impact when consumers are considering making a purchase.

The challenges in achieving success with communications necessitates careful planning, a topic we turn to next.

Activity 5 Observe the Videos and Prepare the Notes

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Model Questions

1. Explain the formation of ICT.
2. How ICT plays an important role in SWM?
3. What is the role of social media and different platforms of social media in waste management?
4. How social media helps in spreading waste collection awareness?
5. What are the elements of promotion mix?
6. What are the macro and micro models of communication?
7. How IMC plays an important role while communicating with the consumers?

Further Readings

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Chapter 5 Market Support

Objectives

When you read this chapter, you should be able to

1. Understand, why market support is important for waste management? What are the various supporting medium available in the market?
2. Explain why commercial banks crucially important to the smooth functioning of Waste Management.
3. Understand the Key role of credit and marketing linkage which make the work of Waste Management more demanding, challenging, and easy to implement.
4. Explain the Promotional tools which make stakeholders aware of various products and services availability.
5. Learn, how to improve the waste management system using an ongoing feedback process based on the established standard.

5.1 Role of Commercial Bank

5.2 Credit and Marketing Linkage

5.3 Identifying Waste Management Industry Stakeholders

5.4 Creating Awareness Within Stakeholders for the Products/Services

5.5 Generating a Standard ongoing feedback system for improvement

5.1 Role of Commercial Bank

Waste management is the systematic procedure of handling wastes and involves distinctive solutions to reuse items. It includes activities from its beginning to final removals, such as collecting, transporting, treating, and disposing of waste along with inspection and regulation. Advanced Disposal Services, Veolia Environment S.A, and Biffa Group are some of the major key players operating in the waste management industry. Due to increase in environmental awareness among consumer, rapid industrialization, surge in population, and rise in urbanization foster the growth of the global waste management market. In addition, implementation of strict government norms toward open dumping is expected to fuel the market growth.

Waste Management and Global Trend

According to latest research Asavari Patil & Preethi Kumari (2019) The global waste management market size is expected to reach $484.9 billion by 2025 from $303.6 billion in 2017, growing at a CAGR of 6.0% from 2018 to 2025. Besides, uncollected waste and dumping are affecting health of wellbeing directly or indirectly, which is estimated to enhance the market demand for waste management services. However, lack of awareness in developing countries and lack of investments in solid waste management delay the market growth. There are many driving forces which lead to expected market growth hence, the market is predicted to grow at a CAGR of 6.0% from 2018 to 2025. Furthermore, develop economies (Canada, France, Germany, Italy, Japan, the ed Kingdom, the ed States) and emerging economies (Brazil, China, India, Mexico, and South Africa) focus on adopting solid waste management solutions, which is expected to extent awareness and increase usability of such waste management systems in the near future.

Figure 5.1 Waste Management – Opportunity and Forecasts

The waste management market is segmented based on waste type, service, and region. Based on waste type, the market is bifurcated into municipal waste and industrial waste. In 2017, the municipal waste management segment dominated the market, in terms of revenue, and is expected to maintain this trend in the coming years. By service, the market is classified into collection services (collection & transportation, storage & handling, and sorting) and disposal services (landfills, recycling, composting & anaerobic digestion, and others). Among these, the disposal service segment is anticipated to dominate the global waste management market throughout the forecast period.

Figure 5.2 Global Waste Management Market Growth

The Market segment of Waste Management is dependent on types of waste, number of services, and geographical area. On the basis of the different waste type, the waste management market is classified into municipal or civil waste and industrial or mechanical waste. In 2017, the market segment of civil waste management dominated the whole market, regarding profit, and predicted to maintain the same growth pattern in the upcoming years. By services, the market is characterized into different waste collection services (Collecting, transporting, storage, sorting and handling and Disposing waste services (landfills, reusing, composing the soil, anaerobic processing and others). Among these, the disposing waste services market segment is foreseen to rule the global waste management services all through the forecasted time frame. Region wise, the segment of market for waste management is distributed across over North America, Europe, Asia Pacific, and LAMEA. European Market is expected to dominate the waste management service market in coming years due to various government policies and initiatives and also due to high end technology adoption in waste management services. In any case, Asia Pacific is expected to fuel the demand for waste management services, because of the large populated nations like, China and India, where an expansion in urban infiltration is being seen. In addition, government national level initiatives in India like, Swachh Bharat Abhiyan, is expected to enhance the demand of services of waste management. Figure 5.1.3 shown the region wise bifurcation growth of Waste Management Services which is given below

Figure 5.3 Market of Global Waste Management by Geography

Concept of Commercial Bank

Commercial Banks were established in accordance with the provisions of the Banking Regulation Act, 1949.Commercial Banks are the financial institutions that offer account services such as saving account or current account for customer (individuals or Businesses), accept deposits, makes business and advances personal or mortgage loans. Commercial banks also offer other financial product to the customer like fixed deposit (FD), recurrent deposit (RD), term deposit (TD), certificate of deposits(CD).

The technologies used for waste management now a days become more complex due to revolutionary changes in technological environment and usability of modern method in place of traditional method of waste collection by packer trucks and disposal of it in municipal landfill. With the increasing technological complexity of waste management, it requires capital or funds for implementing new training programs to understand technological complexity and effective waste management. Not only there is requirement for greater capital expenditures, which means fund generation from financial institution like commercial banks, but also there is a need of different sources of finance to facilitate multiple services in waste management.

Role of Commercial Bank

Capital Formation and Promote Waste Management Industry Capital is play very important role in any business or industry. It is the life blood of business. Commercial Banks increase capital formation by collecting deposits from depositors and convert these deposits in to loans advances to waste management industries.

Smoothing of Trade and Commerce Functions of Waste Management Company In today modern era trade and commerce plays vital role in the growth of any country's economy. So, the money transaction for not only should be user friendly but help customer (individuals or company). A modern commercial bank helps their waste management company to send funds to anywhere and receive funds from anywhere of the world. A well-developed waste management company use modern banking system and their various upgraded services like mobile banking, internet banking, current account, debit cards, credit cards and OD facilities etc. these types of facilities help company for fast and smooth the transactions.

Support Waste Management Industry Development Now a days Waste Management Industry is playing very crucial role in economic development of any country. Cleanness in any country like India is the major challenge and biggest goal. Modern bank promotes waste management by providing loans and advances with low rate of interest compared to other loans and advances schemes.

Implementation of Monitory Policy Monitory policy is an important policy of any country's government. The main objective of government monitory policy is to stabilize financial system of the economic condition of country from the dangerous of inflation, deflation, crisis etc.

Loans and Advances to Waste Management Company Commercial banks keep a certain part of their deposits as legal reserves. The reserve balance is used to provide loans and advances to the individuals or company like waste management company for smooth functioning of organization. Waste Management marketer borrows the fund from banks which help banks to make profits by charging interest on these loans. Commercial banks offer different types of loans such as

- Loan to a person or to a company (like waste management company) against some collateral security
- Cash credit to waste management company (loan in installments against certain security)
- Overdraft facilities (i.e. allowing the company to withdraw more money than what their deposits permit)
- Loan by discounting bills of exchange.

Risk Mitigation Tool for Waste Management Company Commercial Banks play the most significant contribution not only in economic development but also risk management tools to the emerging industry like waste management. Banks provide loans to such waste management company to handle uncertainty and help them to facilitate their operations. For instance, when company apply for borrowing fund from a bank, the bank investigates the company's financial position, including capital investment, profitability, credit rating and debt level and any other factors. The result of this analysis helps the banks measure the prospect of company paying capacity. By identifying these risky borrowing company, commercial banks reduce the risk of financial losses.

Act as Agent of Government Spending for Various Schemes Commercial banks also act as an agent of federal government for promoting and offering various schemes and these schemes also contribute towards economic Development of country. Generally, commercial banks help in allocating county's government spending in terms of various promotional schemes for waste management such as Swachh Bharat Abhiyan (SBA) or Swachh Bharat Mission (SBM) which is initiated by The Ministry of Housing and Urban Affairs of Government of India. The project was started by constructing 90 million toilets in rural India at a projected cost of ₹1.96 lakh crore (US$27 billion) which fuel the growth of such waste management industry. Along with this government also offer both long term and short-term treasury bonds which help company to finance their operations, programs and support deficit spending.

Encouragement to Small Business Commercial banks also offer financial assistance to small business in a variety of ways. A waste management marketer may solicit a loan to finance the startup costs of their business. After getting loan from bank, the small enterprises may start their operations and focus on their growth plan. The cumulative effect of waste management marketer activity generates a significant portion of employment around the country.

Schemes Offered by Country 's Government through Commercial Banks

Deposit Refund Schemes These schemes are most suitable for waste products that are easy to identify and handle, feasible to reuse or recycle, require careful disposal, and where cooperation is feasible between producers, retailers and consumers. Currently the private sector implements such a scheme for a specified range of wastes like glass bottles, where the consumer pays a deposit per bottle and the consumer receives a refund per bottle upon return to a retailer.

Waste Disposal Taxes These taxes address the external social and environmental costs of waste disposal and provide pricing that influences waste generation and disposal decisions by private actors. Waste disposal taxes require that effective regulation and monitoring of landfill sites are in place.

Product Taxes Product taxes will be directed at products or materials that a policy intends to reduce or remove from production. An example of this instrument is the Plastic Bag Levy52 that consumers who choose to buy plastic bags pay directly.

Tax Interventions for Hazardous Waste Disposal Tax interventions for hazardous waste disposal will be considered in instances where more effective management of hazardous waste generators is required.

Tax Rebates and Benefits Industries could receive a tax benefit if they promote or implement recycling infrastructure.

Activity 1 Observe the video and try to understand the context and suggest for India **Title The surprising solution to ocean plastic**	**Scan the QR code for watching the Video**
	

5.2 Credit and Marketing Linkage

Concept of Credit System and Marketing Linkage

A waste management credit framework permits free exchange of resources between different region, different sectors, are and crosswise different income groups in order to allocate a scarce resource of developing country. It fulfils the financial requirements arising from the upgraded technological innovation in waste management. It always encourages, supports and utilize investment funds from the income generated by expanding waste management services. As a vital factor of waste management services, credit play an essential role in promoting allocation of the increased waste management company fund. It is also utilized to make gainful work for captivating the significant quantities of underemployed in the waste management service sector. Credit for waste management can be a twofold edged weapon altogether affecting employee welfare in company or functionality of company, widening cooperation of the majority in the political procedure, or fortifying feudalism.

Waste Management and Credit System

Waste Management Credits is an incentive structure to reward Eco-friendly behaviour. With waste management service companies follow the schemes of government and encourage people to reduce their waste generation, segregating their waste or recycling their waste. Waste Management Marketer use these intervention and incentive structure (like Green Credits which is very different from its intervention) for effective waste management activities in the market of energy sector or water consumption. This is mainly due to difficulty in measuring what exactly constitutes as the ecofriendly activity, and quantifying and valuing the reward based on the activity. While the measurement of water or energy usage is simple as compare to waste management system which is very difficult. The level of waste management activities may vary according to market forces, complicated structure of the system, diverse stakeholders, measuring individual behaviour and also rewarding it appropriately. Even it is very difficult task for waste management company to use effective approach to build a fair, sustainable, impactful incentive framework like Green Credits around it.

Scope in Global Perspective

Waste Management has wide scope in every county especially large populated nation like India, China and many more. Waste Management Marketer used different research tool for getting information about various stakeholders, their valuation, their choices, different type of waste and their dealing with waste so that marketer can utilize the Green Credits system for handling the point of purchase, the point of waste disposal and the recycling point effectively. Because of various incentives and outreach programs of Government like Green Credits system many waste management marketers have achieved outstanding success in different cities such as San Francisco and Flanders in Belgium. Other potential benefits of Credit system to waste management marketer are

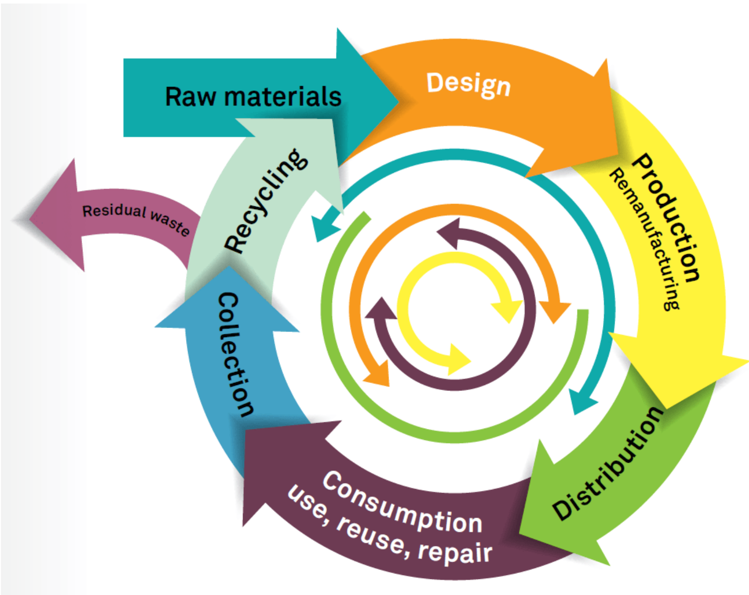


Figure 5.4 Scope of Waste Management Credit Towards Zero Waste

- **Help to Reduce in Industrial Waste–** Due to effective Waste Management and such credit schemes companies have reduced its wastes by 77 percent to landfill.
- **Help to Get Highest Diversion Rate** – Waste Management services help companies to achieve highest diversion rate in country like ed States and by using green credit system companies is on continuous growth track to reach 90 percent by 2020 in San Francisco.
- **Help to Reduce Residential Waste –** Waste Management also help countries to reduce its 73 percent of residential waste. The highest regional rate in Europe, through aggressive standards and credit incentives" in Belgium.
- **To Handle Waste Tactfully Waste** Management also help country in community mobilization, grassroot recycling and other collective function which are more being encouraged through credit incentives. Many cities also have witnessed the successes like Pune, Buenos Aires, Philippines, Gipuzkoa, Taiwan and Kamikatsu in Japan.
- **Help in Value Creation**– By composting via effective waste management, Mumbai and La China in Chile have achieved success in managing a large part of municipal waste.

Waste Management and Market Linkage

For Eco-friendly Customer

Waste Management Marketer also create relationship with eco-friendly customer at the point of purchase, Marketer offer some particular number of Green Credits offered to a consumer upon returning the packaging of the product, depending on the post recyclable value of the packaging of the product. This will put the extra burden upon the seller for segregating and recycling of product packaging. However, the eco-friendly customer is incentivized to not to throw the packaging of the purchased product anywhere else, whether it may or may not get recycled.

For Individual House Hold

The Waste Management Marketer determines the metrics and criteria to judge how many Green Credits should be allotted to a household upon their waste disposal. Marketer can also promote and incorporate the learning and lessons of the various success stories, where households take an active part in waste management on an individual level.

The Waste Management Marketer need to determine how many Green Credits one can earn while disposing waste on an individual household level, one can do it in two ways. At the point of collection, through surveys and through actual evidence, second a waste worker who is involved in the Green Credit system can identify number of categories in each house hold, their segregation of waste, the pattern of segregation, the amount of waste generated per category (in kg), potential in being recycled again and other such metrics/criteria determine for allotting weekly Green Credits to households, based on defined benchmarks which was set in the previous week.

For Seller

The Waste Management is also very useful for seller because seller can redeem Green Credits upon giving the packaging back to the manufacturer or distributor, earning Green Credits on every part of the supply chain, till ultimately the manufacturer gets the packaging of the product back, which he can recycle at the base level itself, while earning these Green Credits. The Government Awards Green Credits to seller who take the effort in waste management like recycling and segregating the waste, the value created for the recycled material, the amount recycled and then awarding it to those who ultimately purchase the recycled material. the Green Credit system can ultimately reignite the virtuous cycle of recycling, and reuse and help create a sustainable world.

For Distribution Network

Thus ultimately, the entire supply chain of a product till the consumer is incentivized via Green Credits to return it back to the manufacturer, who in turn earns the Green Credits by recycling it. Firstly, this prevents waste from being generated at the household level when it is thrown in the dustbin. The second level of intervention can be at the waste disposal. The third level of intervention is at the point of recycling the waste.

For Society

Thus, Green Credits can be allotted based on predetermined standards and criteria, which are adapted to the various contexts and localities where it is implemented through the effective waste management system. Waste Management Marketer encourage buyer to purchase of various items which aid the process of waste management and recycling through Green Credits (like a machine which helps convert plastic to bricks or a compost machine etc.). The Green Credit system can catalyze the mass change required in the way we look at our waste management system. With deep inequalities, poverty, deprivation and caste based discrimination which highlights the various aspects of India’s Waste management system. The Green Credits system by incorporating those companies which are at the bottom steps and directly helping the most, can receive lumpsum Green Credits and higher valued Green Credits help to bridge some of the income inequality gaps between those at higher rungs of the waste hierarchy. While it will certainly take a large amount of time to raise all those in the Waste system to the just, social foundation, the Green Credits system if it flourishes can help in the achievement of the just, social foundation and reduction of impact on the planetary thresholds.

Activity 1 Observe the Video and Try to Understand and Evaluate Opportunities.

Title Clean India Rural India Waste Management

Scan the QR Code for Watching the Video

5.3 Identifying Waste Management Industry Stakeholders

Concept of Stakeholders

Stakeholders can be people, group of people or other company that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies. Some of key stakeholders are creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources.

In any Organization, a stakeholder is usually individual, or group of individuals in the organization whose actions determine the results of business decisions. Stakeholders not only can be the equity shareholders but they can also be your employees, who contribute towards company's success and incentive for your products to succeed. They can be partners of business, who bank on your success to keep the supply chain functional. Every organization use different approach to connect with stakeholders. The roles of stakeholders differ between business to businesses, and also depend on the rules and responsibilities placed out at the formation of the company or as the business progressed over the years.

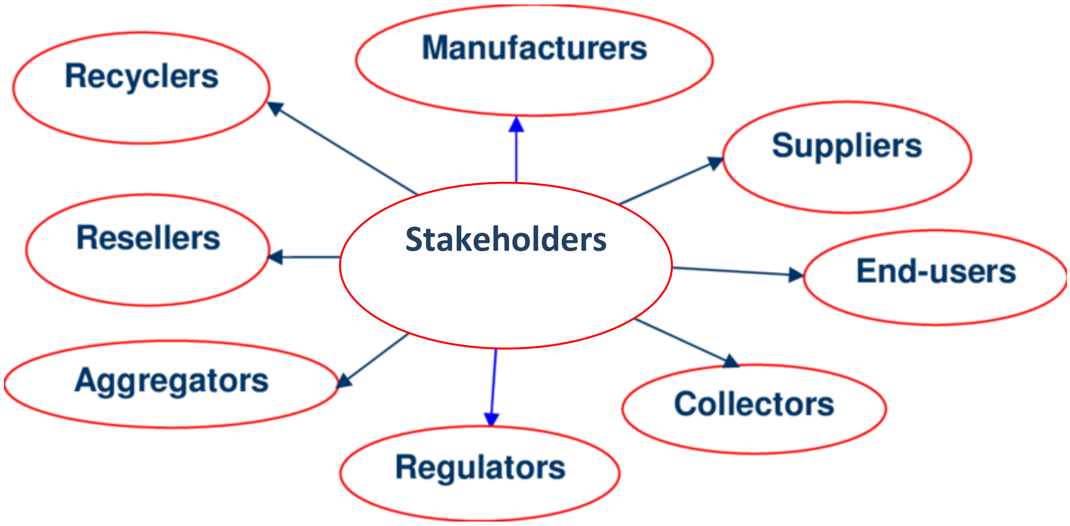
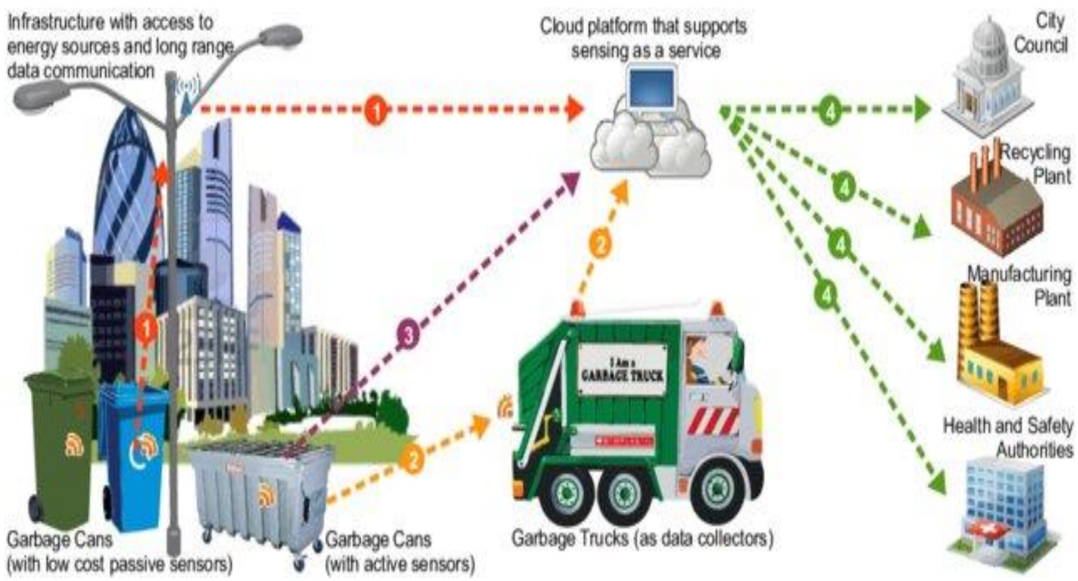


Figure 5.5 Types of Stakeholders

Stakeholders and Waste Management

The stakeholders can address many environmental issues of different city after the interaction with company. National, state and local governments, research institutions, the academic institution, the public, NGOs, the private sector and funding agencies also all have a role to play to support priority actions. The major stakeholders play very important roles in sustainable waste management. Stakeholders are people, group of people and organizations having any concern or interest in good waste management, and participating in activities that make that possible. They include enterprises, organizations, households and all others who are engaged in some waste management activity. Stakeholders may generate waste, function as service providers or participate as state or local government departments, nongovernmental organizations (NGOs) and other organizations concerned with certain aspects of waste management. Identification of the stakeholders and their interests is important in coordinating their participation and involvement in various waste management activities.

The municipality, with its general responsibility for urban cleanliness and the citizens or households who use the system, are (almost) always stakeholders in waste management. But other stakeholders differ in each city, so they need to be identified in the local context and often also grouped according to their interests. Stakeholders by definition have different roles and interests in relation to waste management the challenge of the Waste Management process is to get them to agree to cooperate for a common purpose, that of improving the waste system. In addition, the stakeholders in a particular city or region share a common social and geographic context and may be bound together



by other systems in addition to solid waste.

Figure 5.6 Waste Management and its Stakeholders

Types of Stakeholders

The waste management industry handles materials ranging from empty drink bottles to hazardous biological wastes and contaminants. Depending on how you handle waste, your management business can potentially preserve the environment or harm it. As a result, if you enter the waste business, you will answer not only to financiers or fellow owners, but also to people or agencies who may be impacted by your activities or want to restrain their harmful effects. There are different types stakeholders mentioned below

A. Stakeholders Based on Major Participation in Waste Management Business

1. Investors and Owners

A business exists to maximize profits for its investors and owners. For waste management businesses, especially startups and recyclers, investors look at customer demand for waste management services and staff with knowledge and experience in your brand of waste management. You will need adequate vehicles to collect waste, land or buildings to store it and computer or other systems to handle it. Many investors and lenders consider, in addition to the bottom line on an income statement, your business environmental stewardship.

2. Government Agencies

National, state and local governments view environmental protection as a major function. Environmental regulations determine what landfills can accept and how wastes like recyclables are separated. These rules not only impact your operation, but also add potential customers handling recyclables or material forbidden in landfills. You may need a permit for many types of waste management activities. Arizona, for example, requires permits for storing or hauling such waste as biohazards, household waste and petroleum-based waste and for landfills.

3. Environmental Groups

Environmental protection groups can influence your business practices. These stakeholders can cast negative publicity on waste managers and collectors with poor environmental records or histories of violations. Lenders and investors may feel pressure from these groups to deal only with businesses with safe and earth friendly practices, such as recycling and pollution control. These activists can be your ally by encouraging businesses to recycle and use your services. In addition, you may have to address the concerns of nongovernmental groups if you apply for landfill or waste handling permits.

4. Customers

Households and businesses rely on collectors to take and handle trash and other waste products, especially items that a landfill will not accept. Many of these stakeholders, including offices and stores, want (or may be required by law) to recycle and need separate containers for you to collect. Others especially auto service shops have used batteries, motor oil, antifreeze and other hazardous materials. Some governmental bodies function as customers by awarding contracts to businesses to collect and dispose of waste.

5. Citizens

Citizens have the right to be notified of permit requests and plans for landfills and hazardous waste facilities. As with nongovernmental organizations, individuals can speak at government hearings. If you run a waste disposal business, you must be prepared to answer citizens' concerns about the environmental and health effects of your enterprise especially if you propose a site nearby or in their neighborhood for your waste facility.

B. Stakeholders Based on Environmental Protection

Table 1 Stakeholders based on Environmental Protection

Sno.	Stakeholder	Role
1	Environmental Regulators	Setting environmental regulations and standards, monitoring and enforcement
2	Planning agency	Integration of environment in developmental planning
3	Politicians	Policy guidance with long term view in allocating resources
4	Sector agencies	Cross sectoral coordination and incorporation of environmental considerations in projects
5	Public	Participation in decision making, implementation and monitoring
6	NGOs	Mobilizing community participation, voicing local concern

7	Private sector	Searching and implementing appropriate actions
8	Media	Environmental awareness, focus on real local priorities rather than sensationalisation
9	Scientific community	Focus on needs of vulnerable population and communication to wider audience including policy makers, planners and managers
10	Financial institutions	Supporting environmentally sound developments

C. Stakeholders Based on Officials of State Departments and Local authorities

- Public representatives, Corporators, District Magistrate, Deputy Commissioner, SDMs, Chief Development Officers, Block Development Officers, Ward-in-charges, General Managers of District Industries Centers (DICs) etc.
- State Department of Environment / State Pollution Control Board / Pollution Control Committee
- Chief Medical Officer / Dy. CMO, Primary Health Centers (PHCs)/ Community Health Centers CHCs /Sanitation Inspectors
- SafaikaramchariSanghs, Unions
- Various city departments such as PWD / CPWD / Roads and Highways departments for debris management and others and village panchayats
- Krishi Mandis /Executive Officers

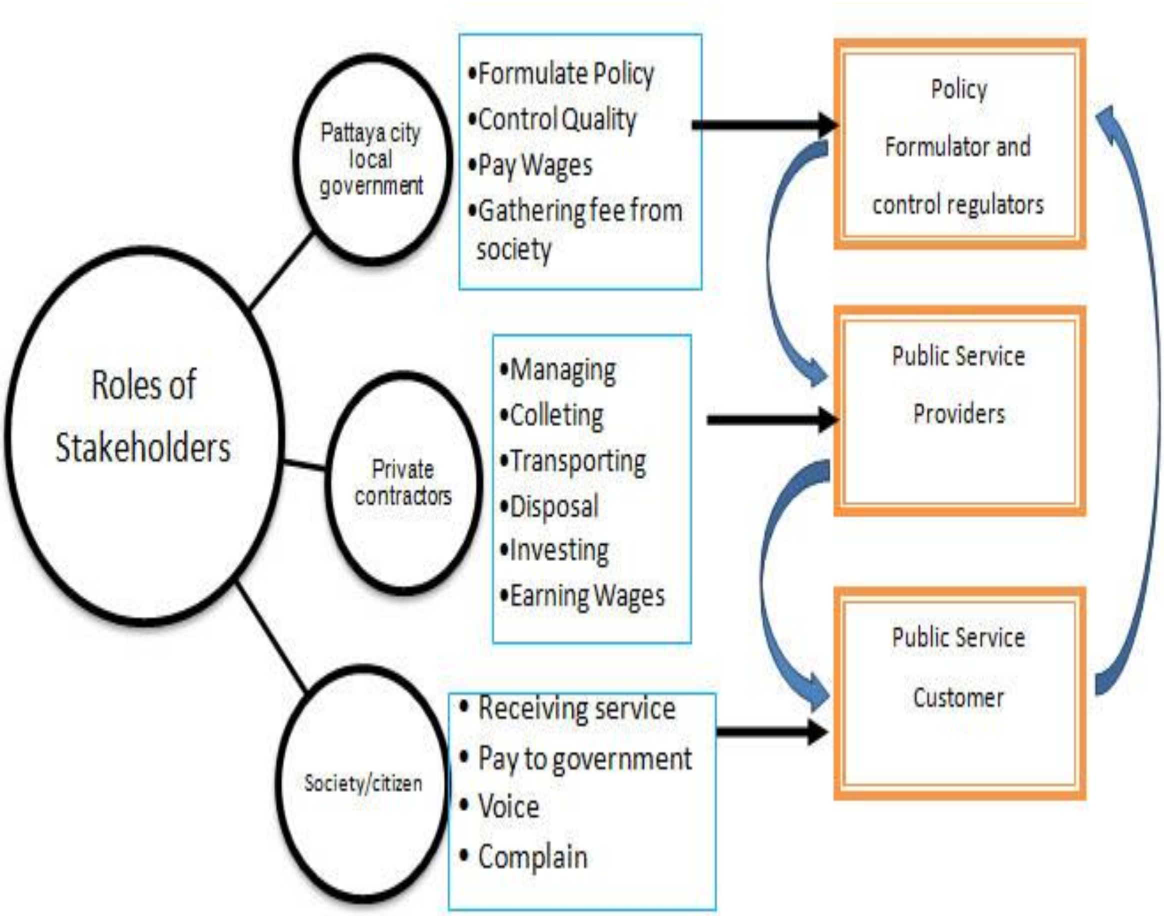


Figure5.7 Stakeholders Role & Types

D. Stakeholders Based on Industry representation

Small and Medium Enterprise entrepreneurs / representatives, Industry associations, Managers / representatives of Corporate bodies and s engaged in FMCG products (including such as sanitary napkins and diapers manufacturers) and electrical and electronic goods manufacturers and dealers and traders and trade association representatives.

E. Stakeholders Based on Waste management companies / facilities and waste recyclers

- Managers / Representatives of Solid and other waste processing and treatment and disposal facilities including hazardous waste management facilities, bio-medical waste management facilities, electronic waste management facilities, construction and demolition waste management facilities etc.
- Range of waste recyclers (including collection centers / dismantlers / refurbishes) – formal and informal organizations / slaughter houses.

F. Stakeholders Based on Bulk waste generators

- Bulk waste generators such as PSUs, Commercial complexes / Malls, Multi-storied buildings, Housing complexes / Resident Welfa
- Hospitals and Health Care Facilities / Hotels / Restaurants / Clinics and dispensaries
- Retailers / street vendors pertaining to plastic waste generators

G. Stakeholders Based on Waste transporters and other agencies

- Waste transporters and such agencies
- NGOs (Environmental and from other NGO associations)
- Others such as Concerned Citizens

H. Stakeholders Based on Importers / exporters of waste and authorities

- Customs and clearances authorities
- Importers and exporters of wastes

I. Stakeholders Based on Institutions

Teachers from educational institutions and their administrators conducting environmental management trainings.

Other Role of Stakeholders

- As partners in the dialogue with the local authority.
- As clients of waste services from the local authority.
- As a platform for discussion and dissemination of new ideas.
- As a force to mobilize members for concerted action in waste management.
- As a representative or advocate to motivate households to subscribe to MSEs for waste services.
- As a supervisor and performance monitor for the effectiveness of waste services offered by MSEs, the local authority and private sector.

To Do Activity
List out all the Key stakeholders playing major role in public sector and infrastructure in Gujrat.

5.4 Creating Awareness within Stakeholders for the Products/Services

Stakeholders Awareness

Figure5.8 Awareness Campaign

The Stakeholder Awareness Plan is a very essential mechanism for waste management company. The Plan, which is prepared annually by the waste management Company, is presented to the

Stakeholder Steering Committee for review and implementation with the involvement of the all stakeholders and other partners. Stakeholders awareness Strategy has made significant progress in current waste management adaptability. The waste management company has met the requirements for stakeholder's awareness program by allocating specific budget approx. USD 150 million collectively and. These funds are being used to support different awareness programs designed under the marketing department. The long term success of the such campaign is dependent on marketing manager and creative campaigning in a large way to broad-based, inclusive domestic support within Country. The stakeholder's awareness program therefore requires an institutionalized, systematic and transparent process of stakeholder engagement, enabling the participation of all potentially affected and interested stakeholders at all stages of the waste management.

Importance of Raising Awareness about Waste Management

Raising awareness about a city's municipal waste management activities and the benefits of proper waste management can result in increases in

- Use of city waste collection services by the public and private sectors
- Funding for waste management from local elected officials
- Adoption and enforcement of local waste management policies by local elected officials
- Support for local level activities from national governments
- Public participation in organic diversion and recycling programs.
- Extend the scheme of door to door collection to all households
- Segregation of waste by all household before disposal
- Make streets and roads free of waste of any type
- Each household to be responsible for the cleaning of its entire premises
- Prevent the roadside traders, truck repair shops, and other businesses from dirtying Road
- Ensure all households pay the agreed waste collection fees
- Levy service charges on commercial complexes, and garbage generating industries.
- Form community self help groups to undertake routine waste service at special occasion to be paid for by the community
- Form stakeholder association that will be all inclusive to evaluate adherence to the charter and with mandate to sanction defaulters within the community.

figure 5.9 Different Marketing Strategy for Stakeholders Awareness

Each of these outcomes can contribute to a city's efforts to reduce the impacts of waste management on health, the economy, the environment, and society.

Challenges to Stakeholders Awareness about Waste Management

There are many barriers to raising awareness about a city's waste management activities and the benefits of proper waste management. These barriers, which vary by stakeholder type, include

- Lack of funds and capacity
- Embedded cultural practices, behavioral norms, and beliefs (e.g., the belief that waste has no value, which is a challenge for effective source separation and recycling programs)
- Lack of familiarity with the economic opportunities associated with waste management
- Capacity limitations of waste management agencies (e.g., lack of technical and financial resources for outreach)

- Unsupportive legal and regulatory frameworks
- Lack of time or interest from key stakeholders.

Approaches of Stakeholders Awareness

1. **Mass Media Campaign** Mass media campaign is an essential element to reinforce recall about various eservices being enabled across the country. In waste management company quarterly mass media burst using electronic media specifically TV – both Doordarshan and private channels with priority given to regional channels and main news channels. On similar lines, a Radio sponsored program on primary channels of AIR, private FM channels and Community radio may be built to raise the level of awareness about availability of services. To disseminate awareness about stakeholders in waste management and to support the Outreach Campaign, an eclectic mix of Mass Media such as TV, Radio, Print and Cinema Advertisements was leveraged as given below
2. **Radio** Nationwide Radio Campaigns were undertaken on All India Radio and private FM Channels to support Rural Outreach Campaign, by reaching out to the rural audience, informing and educating them about what role stakeholders can play in waste management.
3. **Print Advertisements To** raise awareness about stakeholders in waste management achievements amongst diverse stakeholders, advertisements have been published in leading dailies (All India) in English, Hindi and various regional languages.
4. **Cinema Advertisements** In order to support stakeholder awareness in waste management, Rural Outreach Campaign Phase I & II, 60 second cinema advertisements were run in and around select locations connected to the outreach program.
5. **Films** are extremely powerful means for conveying specific messages to the audience, raising awareness and educating them on various schemes and projects. Films on stakeholders in waste management such as Common Services Centre and Corporate Films have been produced to inform stakeholders about the various projects that are being implemented under the Plan. These films are being showcased at various locations covered during the Rural Outreach Campaign.
6. **TV Series** To create awareness and disseminate information about waste management activities, its various Mission Mode Projects, services and related aspects, fictional TV Series on stakeholder's participation in waste management.
7. **Social Media** To help Government organizations engage more fruitfully with stakeholders using the various social media platforms, Department of Electronics and Information Technology has drafted a document titled "Framework and Guidelines for Use of Social Media by Government Organizations".
8. In the past one year, some excellent examples of Government agencies engaging social media tools to great benefit have emerged. MyGov, an Indian Government initiative, is world's one of the biggest crowd sourcing and citizen engagement platform. Hon'ble Prime Minister of India, Shri. Narendra Modi is one of the most active world leaders on social media. Different social channels are Different social channels are Facebook, Twitter, Google+, YouTube, Instagram and Instagram and LinkedIn etc.
9. **Conferences/Workshops/Exhibitions –** The Waste Management Companies are conducting awareness workshops in Central, State, Private Universities or other academic institution for different part of society. The purpose of the workshop is to generate awareness about waste management activities.

10. **Door to Door Awareness and Motivation Programs –** Door to door motivation gives each household a chance to clear doubts and ask questions. Materials relating to solid waste may include posters, leaflets, and handouts that can be distributed among the householders, shop owners, or office workers and can be displayed in prominent positions. It was agreed that this method will also ensure continuing contact with the members, provides feedback, and builds a bond in the community.

Other Tools for Stakeholders Awareness Program

1. **Newsletter** Newsletters will be printed and distributed to relevant press and media houses, departments, institutions and stakeholders. These will also be distributed locally, regionally and internationally.
2. **Press Releases and Articles** Press releases and articles on key topics will be sent to local media houses and other related information agencies.
3. **TV and Radio Quiz Show** A televised quiz show to target secondary school youths will be organized to promote the stakeholder's participation in waste management. Materials will be provided to Radio Stations for broadcast of the quiz.
4. **Billboards** will be produced and placed at strategic locations in the country.
5. **Website Regular** updates of the waste management activities on company website or other websites.
6. **Pamphlets and Handouts** – These tools can give instructions in very simple, understandable language, showing actions through photographs and requesting public participation. Printed educational materials such as posters, brochures, and pamphlets are given to each house or commercial establishment, and the entire concept of segregation of waste is explained through the materials.

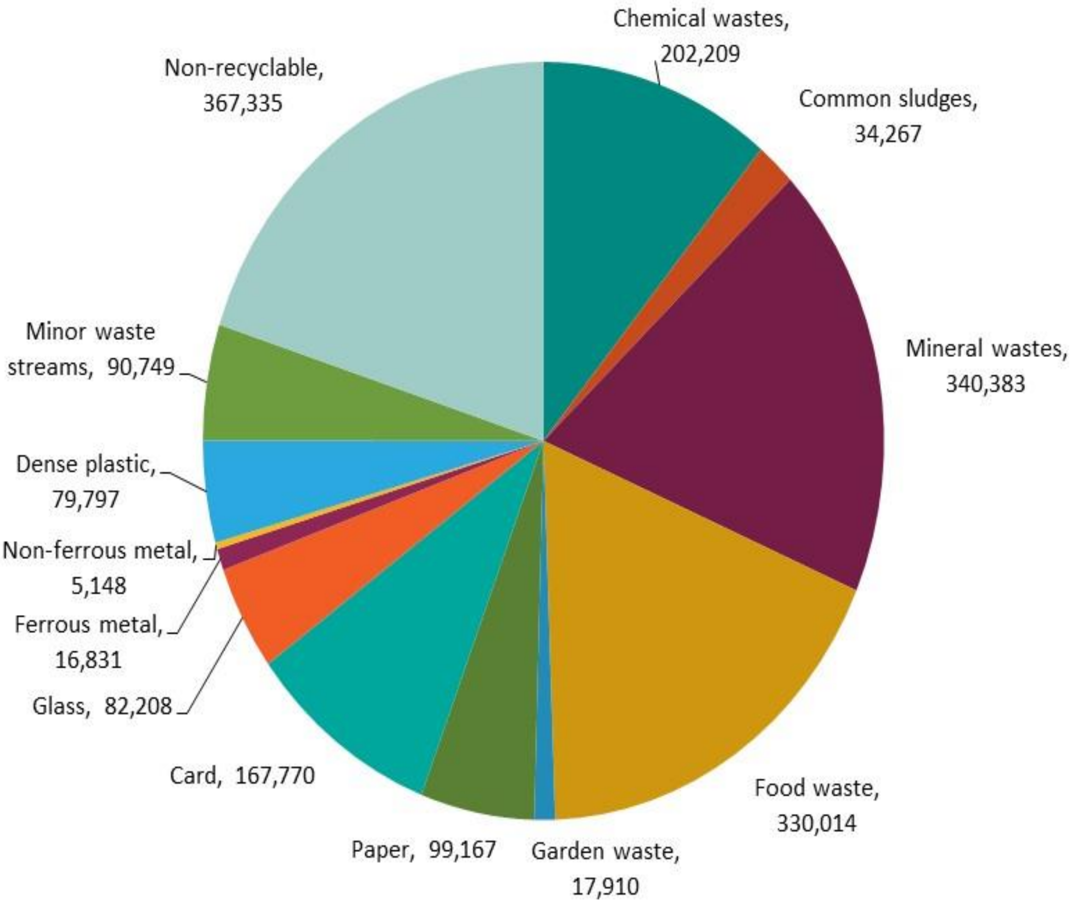


Figure 5.10 Types of Waste and Market Share

Activity 1 Observe the video and try to understand the planning of Waste Management **Title What a Waste 2.0**	**Scan the QR code for watching the Video**
	

5.5 Generating a Standard Ongoing Feedback System for Improvement

Standard Ongoing Feedback System

In Present competitive era, all the companies want to achieve competitive advantage must embrace customer experience continuous improvement as a strategy to ensure their better customers satisfaction. The customer satisfaction is a key ingredient to getting new business and maintaining customer loyalty. But getting excellent customer experiences is not something that you can measure in one time mean company cannot look to improve. It is all because of constantly rise in customer expectations and that's lead to seen as exceptional service today, may not be the exceptional service of tomorrow. Businesses need to keep innovating and improving their service on the basis of feedback system of waste management company. For all the businesses, it is essential to establish a standard ongoing feedback system for continuous improvement that will constantly improve the customer experience, help company to keep your customers delighted with Company services, and helping company to boost loyalty. While Company already made it clear for customer that how customers can provide feedback to the company and company is likely going to set up systems that allow customer for the resolution of a user call or that answer a question, as well as allow customer to provide feedback on the basis of services which company provide. For waste management service Company, when they are serving targeted customer base, feedback activity in the process is often the most difficult to manage.

Standard Ongoing Feedback Process

The standard ongoing feedback processes determines how company can get customers feedback, or keep getting their feedback. The standard ongoing feedback process having six steps which keeping Company customers' feedback rolling in, ultimately leading to continuous improvement. The process of standard ongoing feedback is given below

1. Defined Objective
2. Appointing a Customer Satisfaction Manager
3. Set up Clear Feedback Process
4. Show Appreciation for the Feedback you receive
5. Calling your Customer
6. Defined Clear and Transparent rules for Feedback Process
7. Share Improvements

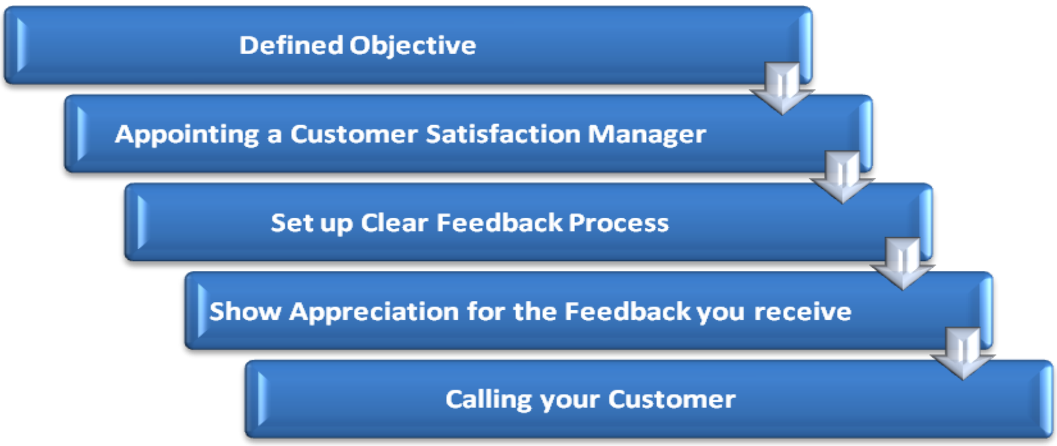


Figure 5.11 Ongoing Standard Process

Ongoing Standard Feedback Process

1. **Defined Objective**

   The purpose is to develop a standard ongoing feedback system to increase the information available to waste management company as well as to the marketing managers for decision making. Another purpose to develop Standard ongoing feedback system to define the source of information about the organization and customer behavior as well as the market structure which help company to decide their future products and services and also to ensure improvements in existing products and services.

2. **Appointing a Customer Satisfaction Manager**

   The important phase in feedback process is determining in the organization and responsible for customer feedback. If there is no one assigned to such tasks, then company consider appointing a customer satisfaction manager for the role. The goal of this individual should be to ensure customer feedback is top of mind for those in the organization and that is tracked and managed. While company takes the lead on customer feedback, the rest of the department should follow suit and work toward the same goal.

3. **Set up Clear Feedback Process**

   Once Waste Management Companies have someone assigned to manage the customer satisfaction, Company next need to establish a process for getting more input from customers. Company also needs to implement a feedback process. If Company wants to keep the feedback loop running. Without a process in place, requesting and handling

   feedback can become fairly unstructured, and if company services are experiencing high peak seasons, during those it's less likely that they will be able to address or collect feedback. If they are able to do so, it won't be a top priority, but it should be.

4. **Show Appreciation for the Feedback you receive**

   Whenever Waste Management Company received feedback, Company must show appreciation for the person that took the time to provide it. Thank them compliment them address their concern. This is the best way to encourage additional feedback. For example, if Company received positive feedback, Company show appreciations toward the customer who provided it and send them thank email. If the customer was unhappy with company services, then Company contact that customer immediately to better understand the problem and try to find a way to resolve the future for next time.

5. **Calling your Customer**

   The waste Management Company Call customer whenever they received negative feedback. Negative feedback serves two purposes Company not only want to prove that they can understand the customer's problems, but also helps company to figure out shortcomings in the service and what it can do to improve. During the call, the marketing department try to avoid ending up in a discussion about who's right. Also, don't make these calls if the service desk is busy or if you're having a difficult day.

6. **Defined Clear and Transparent rules for Feedback Process**

   Sharing feedback reports within the organization is a great way to prove the value of the feedback which company received. That mean, marketer care about what people are saying, and ways in which that feedback is driving change for the service department. Along with this, company also shows their customers that they actually use their feedback, incentive for them to keep providing feedback.

7. **Share Improvements**

   When waste management marketer improves company service especially based on feedback from customers, company must share all information with their customers. This, also, is further proof that their feedback had an impact.

Problems in Existing Ongoing Feedback System

Problems in Existing Feedback Systems

There are many Companies having ongoing feedback systems but it seems to have major problems like

- The standard Ongoing Feedback systems of Company unable to contain all information concerned with all major areas relevant to waste management. Ongoing Feedback Systems generally do not provide any kind of information regarding different Kind of waste and commies. While the successful marketing managers actually understand the importance of the "customers' feedback" for waste management company, that is why they often receive regular, reliable feedback concerning organizational attitudes and effectiveness.
- The standard Ongoing Feedback systems sometimes fail to collect the necessary information that could be most useful for waste management company marketer. The ultimate importance of ongoing feedback system is determined by its value to the user waste management company marketer.
- The standard ongoing Feedback is not always distributed timely to the user who can get best benefit by it. Moreover, many waste management company's marketers use feedback systems to feed information only to the company managers and that is only at after long-time intervals.
- The Standard Ongoing Feedback systems are not always used by company managers effectively. The essential importance of ongoing feedback systems is to provide valuable information to marketer about the past that can serve as a basis for action in the future. But maximum time unfortunately, the information is used as a basis for recrimination and evaluation rather than as a basis for problem identification and problem solving.
- Sometimes changes in the standard ongoing feedback systems are often resisted by Company stakeholders. Many Waste Management Companies' marketer changes feedback systems from time to time. And maximum times these changes involve no consultation with

feedback system users as a result changes are not understood and so are resented and even resisted.

Problems With Customer Feedback System
1. Absence of information about organizational Process
2. Inappropriate measures include in the feedback system.
3. Restricted distribution of feedback information.
4. Ineffective use of feedback information by managers.
5. Resistance to change in the feedback system.

Principles for Improving Feedback System Design
1. Include Information about Organizational Process as well as performance.
2. Have the feedback measures designed and reviewed by system users.
3. Distribute feedback to employees at all levels of the organization.
4. Train managers in ways to use feedback information.
5. Carefully design the implementation process.

Figure 12 Development of Principles for an Improved Feedback System

Principles to Improve Feedback System

- **Analyzing all the Feedback**
  It is important because some feedback may give fairly or unremarkable inputs and some may suggest information that could potentially be a major breakthrough for marketers.
- **Classification of Feedback into Categories and SubCategories**
  Generally, company receive feedback into several categories which could include the improve of companies' service (or deficiency), accuracy, courtesy and helpfulness of managerial efficiency along with price and choice of products, availability or location etc. Classification of feedback into various categories will immediately help marketer to show a wider picture of customer opinions about company's products and services.
- **Focus on Negative and Positive Feedback Both**
  For any marketer of Waste management company, it is very worthy to highlight the positive feedback which is as valuable as complaints because that show repeat purchase intension of customers. Positive Feedback also motivate marketer to helps to build customer loyalty. Same as, negative Feedback also highlight the reason of migrating customers from existing company to your competitors. In Such case, Marketer need to shoot the customer Problem with delighted resolution. This can help marketer to retain their valuable customer.

- **Applying RCT (Root Cause Therapy or Analysis) to the Problems**
  For any Waste Management Marketer, to achieve customer loyalty and to improve customer feedback, it is necessary to make the root causes analysis of more complex or niche problems reported by customers. Waste Management company can analyze all feedback and large amounts of data which can determine and identify root causes of problems or issues (more complex and sometimes niche problems) and also prepare very effective solution to resolve these ones.
- **Customer is the King of Market**
  Every customer is very important to your marketer but some of them are more valuable than others. And Marketer can not only give value to such potential loyal customer/group of customers but also can prioritize changes to sales process or customer management system.
- **Follow the Trends**
  For every Marketer identifying trends is one of the most important criteria among all the criteria used to analyze customer feedback. Trends always show where right or wrong things in the market and become even more important when your volume of feedback increases.

Modern Tools Used for Standard Ongoing Feedback System

- Emails and Contact forms
- Telephonic Interview
- Surveys
- Social Media
- Company Websites
- Comment boxes
- E-Word of Mouth

<table>
<tr><td>Activity 1 Observe the video and try to understand the Smart Waste Management and suggest for India
Title Smart waste management using IOT</td><td>Scan the QR code for watching the Video</td></tr>
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Model Questions

1. What is Commercial Banks? Describe the role of Commercial Bank for Waste Management.
2. What are the Different Schemes offered by Government through Commercial Banks?

3. What is credit system and How it is benefing to the waste management company?
4. What do you mean by stakeholders? Explain role of stakeholders in waste management.
5. Classify the different types of stakeholders.
6. Explain the importance and challenges of Stakeholders awareness program?
7. Describe the approaches of stakeholder's awareness program.
8. What do you understand by Feedback system? Explain in context of Waste Management.
9. What is the major problems associate with existing feedback system? And how company can improve? Suggest.
10. How to develop an effective standard ongoing feedback system?

References and Future Readings

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Block 3

Waste Exports, Procedures and Documentation

Swachhta Action Plan

Mahatma Gandhi National Council of Rural Education

Department of Higher Education

Ministry of Human Resource Development, Government of India

Hyderabad - 500004

Contents

Chapter 1 Meaning and Definition of Export

Introduction

This comprises of meaning and definition of export where an individual can understand the meaning of export and its classification in detail. It also talks about the strategies involved in exporting the goods and services to other country. It is important for any business to understand and formulate the strategy for exporting products. This also enlists the various export marketing organizations in India and the registration steps for exporting the products. It also helps the individual to understand what are Import Export Code (IEC) number and Registration Cum Membership Certificate (RCMC). For any business which does exporting should hold license to export the products and hence this will give a detailed description on export licensing. It also deals about the methods involved in exporting the products and selection of products to be exported to other countries. It is important for an exporter to understand how to design the pricing quotations for exporting the products and hence this explains the pricing quotations in brief and the payment terms for exporting the products. It also provides insights about what are letter of credit, procedures, and types of letter of credit for exporting the products to other countries.

Learning Objectives

After reading this, you should be able to

- Understand the meaning, definition, classification of exports.
- Know the strategies used for export marketing and different export marketing organizations in India.
- Understand how to obtain Import Export Code (IEC) number to establish a business.
- Know how to design pricing quotation for export business and should understand the concepts of Terms of payment and letter of credit and its types and procedures.

1.1 Classification, strategies of exports and export marketing organizations

1.2 Registration formalities of exports

1.3 Methods of exporting and pricing quotations

1.4 Terms of payment

1.5 Letter of credit

1.1 Classification, Strategies of Exports and Export Marketing Organizations

Meaning, Classification of exports

For any economy, the economic growth depends solely on the International trade. The trade policy of a country should encourage more exports by reducing the volume of imports. The major functions of International trade are Exports and Imports. Export is selling of goods from one country to another country. In other words, Export is defined as the goods fabricated in one country is being shipped and purchased by people in other country. Import is defined as the goods or services bought by a people of a country that are fabricated in foreign country. Combining both exports and imports, it makes a country's trade balance.

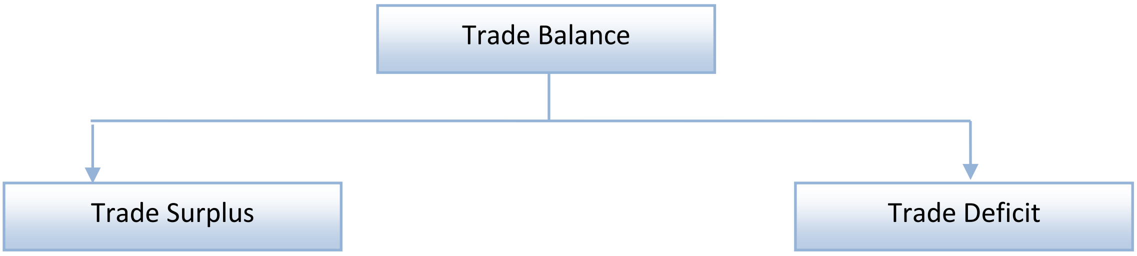

Fig. 1.1 Classification of Trade Balance

If a country's exports are greater than the imports, then it is a trade surplus. Whereas if a country's imports are greater than the exports, then it is a trade deficit. If there is a deficit in a country, it can be balanced through foreign borrowings. The balance of payments can be mitigated by enhancing the export earnings. Thus, exports must be promoted through international trade policy.

If a business wants to be expanded internationally, it should focus on the currency fluctuations. Currency risk is one of the main risks an individual has to consider when expanding the business internationally. Due to currency risk, most of the expansion strategy fails particularly when the company is dealing and collaborating with foreign partners. For instance, company X is a car manufacturer in U.S. and it sells its auto parts to Mexico. If the dollar is strong towards Mexican Peso, it only takes only lesser dollars to export its products to Mexico and if the dollar is weak towards Mexican Peso, it fortifies the Mexican exporter power. As the currency risk is involved in exporting of products, the car manufacturer should insist Mexican partners to change all the deals to US dollars. Due to this issue, this may discourage the Mexican partners to collaborate with US exporter and they choose to do business with their local currency.

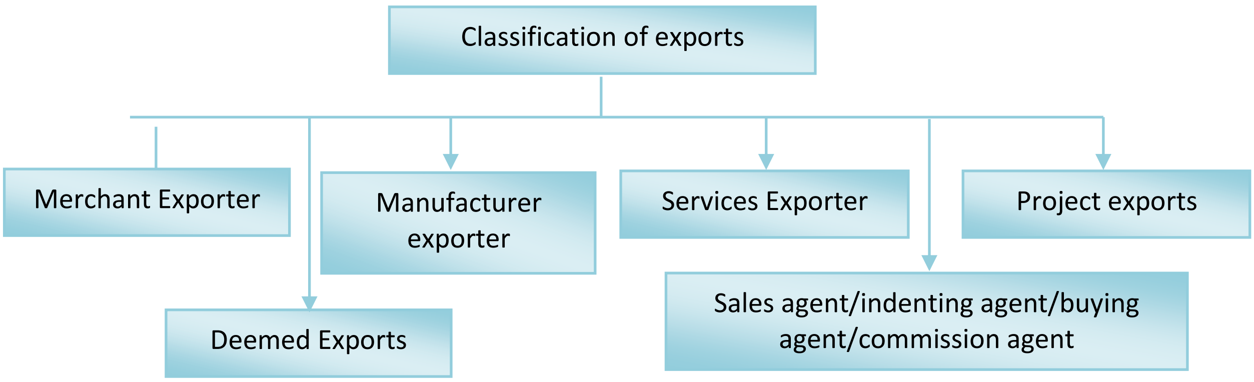

Fig 1.2 Classification of Exports

1) **Merchant Exporter** Purchasing goods from manufacturer/market and selling it to overseas buyers.
2) **Manufacturer Exporter** Producing the products for export.
3) **Services Exporter** Consultancy, hotels, IT, health care, tourism, and software etc.
4) **Project Exports** Contracts for manufacturing, commissioning, designing, erection, and supply etc.
5) **Deemed exports** Duty-free licenses and global trends.

Strategies for Export Marketing

The basic variation between domestic marketing and export marketing is that, exporting marketing place emphasis of marketing product in other countries rather than in own country. Though strategies applied for domestic marketing and export marketing are same, but export marketing is more challenging since you meet people with different cultures, tastes, and ideas.

The strategies are

- Directly selling to International customer
- Selling through representatives/agents
- Selling through distributors
- Selling via licensing arrangement
- Wholly owned subsidiary or joint ventures

Directly Selling to International Customer

The pros for direct selling are the pricing control and total distribution is in the hands of exporter. Termination of any middlemen could rise the profit potential. The cons are the company will offer all services such as marketing, required labeling, advertise, translation, and customer service. Credit risk is on the average highest when compared with any other strategy. There will be less potential sales volume.

Selling through Representatives/Agents

The potential of sales will be increased if the due diligence is performed by the exporter and spots out the sales agent. This means that the spotting out the right agent will be an expert in that field and also in local market with well-established customer contacts. Normally, the exporter should grant exclusive agreements with respect to

- Product lines or geographic regions
- Relinquishing the pricing control
- Owing to sales promotion, the profit rate is decreased by 5% to 15%

In all the international markets, representatives and agents are not similar. The exporter should undergo a background research to understand the actual connection into which his firm in entering legally.

Selling through Distributors

Necessarily, the exporter will handle a single customer where he undertakes possession and title of the goods below wholesale from 25% to 35%, in exchange presuming the total accountability for

- Promotion
- Delivery

- Customer relations
- Marketing
- Returns

If there is increase in the potential sales volume, credit risk will be reduced. It is easy to terminate through representative or agent than terminating legally when the relationship is harder. Also, when compared with U.S. market, the wholesale price is relatively higher.

Selling via Licensing Agreement

Credit risk is minimum, risk and commitment level is low because the overseas licensees/licensee is/are is liable for all marketing, credit and collections, production, and distribution. There is also a risk of intellectual property loss. Regardless of high potential sales volume, on each sale the profit is restricted by smaller percentage. To produce goods comparatively at the production facilities of overseas, this strategy will work best to achieve it.

Wholly owned Subsidiary or Joint Ventures

- By moving particular manufacturing overseas, cost of production per is lowered.
- Market penetration
- Higher sales volume
- Joint ventures are more profit potential when compared with other strategies.

To Do Activity

Take any business organization of your choice and determine their export marketing strategies and the type of export employed by them.

Export Marketing Organizations in India

Below is the list of export marketing organizations in India

- Merchant exporter
- Trading Houses
- Manufacturer Exporter
- Star Export Houses
- Export Houses
- Canalizing Agencies
- Star Trading Houses
- Export Consortia
- Government Public Sector Trading Corporation
- State Export Corporation

To Do Activity

Above is the list of export marketing organizations in India. Search and understand the role of each and every export marketing organization.

1.2 Registration Formalities for Export

Unlike other domestic business, it is necessary for the exporter to register his business with diverse government agencies. The steps to register to register the business are as follows

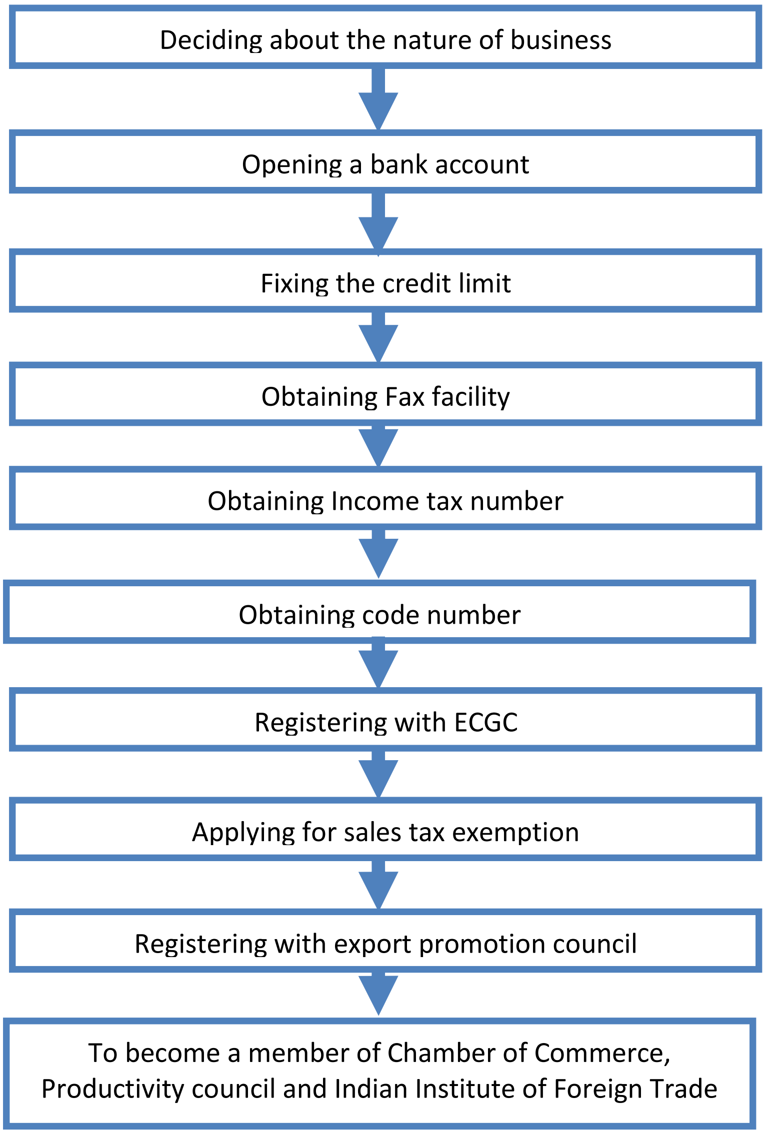

Fig 1.3 Steps for Registration Formalities for Export

- **Step 1 Deciding about the Nature of Business**
  Exporters usually prefer to start small-scale business-like partnership or sole proprietorship. This is due to the fact that, uncertainty involvement in export business. If a scale of operation is improved, the inputs should also be enhanced so that the business can be treated as Joint Stock Company or private sector Company, depending on the scale and size of operation.
- **Step 2 Opening a Bank Account**
  The exporter should cautiously select the bank which actually supports his business and he is supposed to open a current account in that bank. If it possible, he is entitled to open a current account in that particular bank which has authorize to pact with foreign exchange. It

is also essential for the exporter to maintain good rapport with the banker. The excellent bank is the one which supports the exporter.

- **Step 3 Fixing Credit Limit**
  The exporter is supposed to approach the bank to apply for the fixing of post shipment and reshipment credit. By doing this, an exporter will understand how much he has to raise funds from other sources. The exporter will also get to know the order value for which he should entertain.
- **Step 4 Obtaining Fax Facility**
  The common and popular of communicating with others is through FAX. It is one of the popular means of communication. The fax facility obtained by the new comer is through FAX agents whereas an established exporter can get their own fax facility.
- **Step 5 Obtaining Income Tax Number**
  The exporter is supposed to get the Income Tax number issuing by income tax authorities. When the exporter is a new comer to the business, he will get a provisional income tax number. Once he is settled with this business, he is eligible to get a permanent income tax number.
- **Step 6 Obtaining Code Number**
  It is mandatory for all the exporters to obtain a code number issuing by the Reserve Bank of India (RBI). The exporter should write the income tax number prearranged for him on the CNX form which will be useful for acquiring the code number. It is mandatory for the exporter to collect two sets of application form from RBI in the Exchange Control Department (exports). One copy of financial standing which is confidential and another copy of two sets of CNX application form should be putted inside the sealed envelope and it should be submitted to RBI. The exporters are also entitled to attain an Import-export Code number (IEC) as per the regulation of EXIM POLICY (from 19921997). To attain IEC number, the exporter should apply to the imports' and exports' chief controller. This will enable to export or import any non prohibited goods. Obtaining code number is not applicable for exporting of services like construction contracts and consultancies.
- **Step 7 Registering with ECGC**
  While accumulating payments from abroad, a division of Export Credit and Guarantee Corporation from Ministry of Commerce offers exporters the credit insurance because of the involvement of political risk and commercial risk. The nonpayment risk can be trounced from the foreign buyers through ECGC policy. The ECGC policy helps the exporters to attain easier credit from the bank. It is due to the fact that, the ECGC policy benefits the exporters by offering different kinds of post shipment and reshipment financial guarantees on behalf of them to the bank.
- **Step 8 Applying for Sales Tax Exemption**
  The goods which are to be exported to other countries are qualified for exemption from central and state Sales Taxes as well. It is essential for the export firm to be registered with the authorities of Sales Tax and abide to the rules formulated by them.
- **Step 9 Registering with Export Promotion Council**
  The varied types of business-like Chemical Export Promotion Council, Engineering Export Promotion Council, and Textile Export Promotion Council have different type of export promotion councils. The export firm should hold certificate of registration cum membership

to promote the export of goods and services. The exporter who is registered with this council is qualified to acquire export benefits and incentives given by the Ministry of Commerce. After acquiring the benefits, the exporter will be directed by the export promotion council by providing large amount of market information and supporting literature linked with it.

- **Step 10 To Become Member of Chamber of Commerce, Productivity Council and Indian Institute of Foreign Trade (IIFT)**
  The exporters are suggested to take membership of local chamber of commerce, productivity council and other organizations who does trade promotion like IIFT for availing of services offered by these organizations. They also get benefit in return for getting the services. IIFT is basically an autonomous body that organizes a long term and short-term training Programme for the exporters. It is best to avail membership in IIFT when your business is well reputed one.

Import Export Code (IEC)

Import Export Code (IEC) is a kind of registration that is essential for a person exporting or importing services and goods from India. The Directorate General of Foreign Trade (DGFT) from Ministry of Commerce and Industries, Government of India provides IE code to the persons opting for it. IE codes don't require any renewal of filing if the entity works throughout its existence. Henceforth it is suggested that irrespective of the need at that minute, it is mandatory for all the organizations to acquire IE codes. The application of IE codes should be sent with the supporting documents to the Directorate General of Foreign Trade. The DGFT will provide IE codes within 1520 days or less than it to the entity, once after submitting the IE code application. Below are the reasons to register for IE Code

IE Code is Required by the Importer

It is necessary for all the importers to obtain IE codes those trades in goods into India. When clearing the customs, it is mandatory to quote IE code. When banks transfer money to abroad, it requires IE code.

No Return Filing

The code doesn't necessitate for any return filing. Once if the code is issued to an entity, it is not required to renew the code. DGFT doesn't ask for any return filing even if any export or import transactions prevails.

Proprietors can Hold IE Code

Individuals as proprietors require getting Import Export Code (IEC) in their name for their own business. It is not mandatory to attain IE code by incorporating entire business entity.

IE Code is Required by the Exporter

It is necessary for the exporter to hold IE code when he transmits goods from India. When sending shipments, it is essential to code IE code. When banks receive money from abroad, it requires IE code.

No Renewal for Lifetime

The DGFT issues IE code for life time to the business or entity and doesn't require any renewal of Code. Once the code is attained, business or entity can employ the code whenever import or export transaction occurs.

Registration Steps for Import Export Code

- Step 1 Initially, the application form should be prepared in a prescribed formats per section 2A of Aayaat Niryaat form and sleeve it the concerned DGFT's regional office.
- Step 2 Requisite documents along with proof of legal entity, identity proof, bank details, address proof, and the respective certificate in reverence on ANF2A
- Step 3 Once after completing, it is necessary to file it with DGFT along with Digital Signature Certificate (DST) and pay the respective fee for IEC registration.
- Step 4 Lastly, once after the application is approved, the IEC code will be received in a soft copy form by the government.

Requisite Documents for IEC Registration

- PAN card copy of Firm or Individual or company
- Individual's passport copy or voter id or Aadhar card
- Firm's or Individual's or company's cancel cheque copy of current account in the bank
- Copy of electricity bill of the entity and copy of rent agreement

Benefits of IEC Registration

- Expansion of business
- Not required to file returns
- Not required to renew the IE Code
- Availing several benefits
- Easy processing

Registration cum Membership Certificate (RCMC)

The exporter can be a member of Export Promotion Council (EPC) by registering with it. Once after the getting the membership, the exporter is granted to be a member of RCMC.

Exporter Registration (RCMC)

For instance, in case of exporting of Natural Rubber, initially the Government of India will design a Rubber Board as Export Promotion Council to provide RCMC. The exporter can register by submitting the application to become member of EPC. Automatically the exporter will be granted to be a member of RCMC. Only those exporters who hold RCMC are qualified to enjoy the benefits offered by the present Exim policy.

Issuing of RCMC and its Terms and Conditions the exporter registered for exporting of Rubber Board which is the raw Natural Rubber and all the intending exporters may get RCMC certificate from the Board. The eligible criteria to become an issuing authority of RCMC, an individual should qualify the following conditions.

1. The applicant should possess license for rubber processor/rubber dealer

2. The applicant should hold a valid IEC number i.e. Import and Export code number. Download the application form, attach the relevant documents essential for RCMC, and the application should be typed neatly which should be supported by below mentioned documents.
    - IE code number should be self attested
    - Bank surety to show that the applicant is financially sound
    - Processors/dealers license provided by Rubber Board should be self attested
    - The Memorandum of Association and Articles of Association should be enclosed if the company is registered under Companies Act. If any modifications are made in those documents, a certificate confirming those modifications should be enclosed
    - A copy of deed should be submitted if the company is functioning under partnership.

Following are the Terms and Conditions for issuing of RCMC

- The monthly export statement should be submitted by all registered exporters. The return obtained in each month should reach to the Dy. Director (Marketing), Rubber Board, Kottayam9 on or before 5th of the following month. In case, if there are no details to be furnished for any of the period, the exporter is even entitled to submit a NIL statement.
- Suppose the exporter wants to renew his RCMC, the present RCMC should be capitulated. The new renewal application form shall be submitted to the issuing office which can be done on request.
- The renewal fee for new registration of RCMC as an exporter of Natural Rubber is INR 5000 plus service tax which is valid for 5 years.

Figure 2 shows the sample Registration Cum Membership certificate

FEDERATION OF INDIAN EXPORT ORGANISATIONS
(Set up by Ministry of Commerce, Government of India)
NIRYAT BHAWAN, RAO TULA RAM MARG, OPP. ARMY HOSPITAL RESEARCH & REFERRAL, NEW DELHI-110057

Registration - Cum - Membership Certificate

RCMC NO.: 755/2010-2011

1.	Name of Exporter	:	ABRON EXPORTS
2.	IEC Number	:	3394003350
3.	Address of		
	(i)Registered/Head Office	:	106, MAHESH NAGAR, AMBALA CANTT, HARYANA - 133001
	(ii)Branch Office(s)	:	
	(iii)Factory(s)	:	1. 105 INDUSTRIAL AREAAMBALA CANTT HARYANA 133001
4.	Date of Establishment	:	04-03-1959
5.	Description of goods for which registered	:	1. BOROSILICATE GLASSWARE 2. SCIENTIFIC INSTRUMENTS AND APPARATUSES, MODELS CHARTS GLASSWARE 3. MEDICAL INSTRUMENTS AND APPLIANCES ETC 4. SPORTS ATHLETIC ITEMS
6.	Registration No.	:	FIEO/HR/11520/2010-2011/755
7.	Registered as	:	Merchant/Manufacturer Exporter
8.	Name of Proprietor	:	1. SH. SANJAY JAIN

This Certificate is issued as per the details of our records and is subject to the conditions laid down in the relevant scheme of registration of the Federation.

Valid / Renewed upto : 31/03/2011

(Signature of competent officer)

Name V K Sharma
Designation :Assistant Director
V K SHARMA
Assistant Director
Seal
Date of Issue: 23-... New Delhi

For endorsements, if any, please see attached sheet(s)

Fig. 1.4 Sample Registration Cum Membership Certificate

Export Licensing

It is a paper provided by the suitable licensing agency and then the exporter can ship his goods in a foreign marketplace. Once after carefully reviewing the facts that stresses about the export transaction, the license is provided. The Export license depends upon the destination port where the goods have to be delivered and the type of goods to be transmitted. As an exporter, initially it is necessary to examine whether the goods to be exported necessitates for license. While examining the succeeding points should be noted

- What you are exporting?
- Where you are exporting?
- Who will obtain your item?
- For what your items will be used?

Canalization

Canalization is a significant aspect of Export License where the goods are imported by particular agencies. For instance, products like gold which are in bulk are imported by particular banks like designated agencies or any foreign banks, and State Bank of India.

Export License Application

To examine whether there is a need to obtain license for exporting a specific commercial service or product, it is essential for the exporter to divide the items by spotting it, which is known as ITC (HS) classifications. It is not that, export license is provided only for the goods cited in Schedule 2 – ITC (HS) classifications of Import and Export items. A suitable application can be put forward to DGFT (Director General of Foreign trade). These applications are considered as merit by Export Licensing Committee from Chairmanship of Export Commissioner.

Selection of Export Product

In export business, selection of right product is crucial for success. The selection of export product can be done on the basis of factors listed below

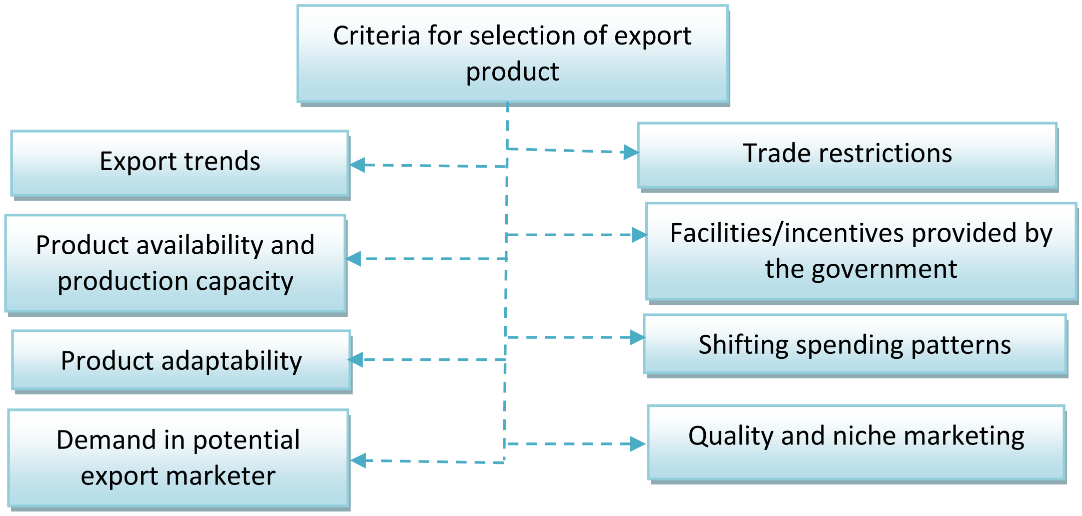

Fig 1.5 Criteria for Selection of Export Product

Export Trends

An entrepreneur who gets idea to enter into exports could spot out the potential product groups/products in foreign markets by assessing the export trends as per commodity wise and country wise over duration of time. Information gained by studying trends for five years period will be very useful. A matrix of fifteen products and countries is prepared based on the investigation of exports trends in Ministry of Commerce.

Product Availability and Production Capacity

The exporter should do a background research to find out the products that has sufficient capacity of production in the country and the product is sourced for preferred quantities. Therefore, those exporters who agreed to deliver the goods in time to the buyer in abroad can be determined with a stable supply of goods and services.

Product Adaptability

The potential for export of goods in one market may be high but the same may have low potential in another market. It might be due to functional requirements, skill levels, difference in the levels of technical development, tastes, physical conditions, and cultural factors. The changes should be made in the market which has low potential for exports.

The product must be able to adapt to the changes made in its color, packaging, design, taste, and size in order to be victorious in the foreign markets. This process is termed to be product adaptation. Hence the product adaptability is one of the main considerations in selection of products for exports.

Demand in Potential Export Marketer

In the targeted market of exports, the demand level for a product is one of the major factors in choosing export products. The following dimensions are to be considered when checking the potential of a product in the market.

- Physical and Demographic Environment
- Economic environment
- Political environment
- Product potential
- Cultural and social environment
- Market access

Trade Restrictions

In a country there may be quantitative restrictions and licensing restrictions to import products from new countries. Nevertheless, countries have decided not to inflict quantitative restrictions on importation under Uruguay Round. All World Trade Organization (WTO) members in a country have committed to follow liberal trade and open policies.

Though the countries-imposed restrictions on the protection of environment, public health, child labor, and public safety based upon certain regulations. Such tariff measures and regulations have the influence of inflicting imports into their respective countries. It is important for the exporter to find out whether those restrictions are appropriate for the product proposed for export in a target market.

Facilities/Incentives Offered for Export

There is a possibility that exporting country provides different facilities or incentives for promoting exports. In India, for a specific product, the export will enjoy different facilities. Those incentives are connection with the duty drawback, facility for offering duty free raw materials import and other kinds of input needed for manufacturing of export products, importing of capital goods for the purpose of export promotion at allowance rates of import duty. These kinds of facilities/incentives should be considered and thought about it for product exports.

Shifting Spending Patterns

The consuming pattern of a consumer can be measured by the person's preference and taste and comparison of price rates with one product to another. The other major impact is the income of a consumer. To put simpler, the demand for products will be increased if the income of consumer increases. Goods that are demanded by consumer are meat or bread, tobacco, fuel tends to decrease and exporters of those goods are not benefited by higher income in other countries. Luxuries such as expensive food or new cars are demanded more and more. Henceforth, the exporter should place greater emphasis on luxury goods because of the transition of spending pattern in reacting to rising incomes.

Quality and Niche Marketing

The firm which shows continuous increase of sales, places a greater emphasis on quality and focused on niches which were indicated by export import trade. As the marketplace is diversified, marketers should be aware of the mass market. Quality and niche marketing are gaining attention by most of the marketers and traditional marketing is getting faded day by day.

1.1 Methods of Exporting and Price Quotations

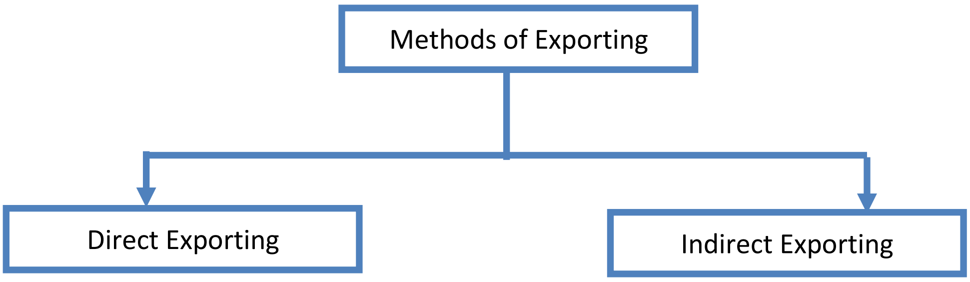

Fig 1.6 Methods of Exporting

Direct Exporting

The normal exporting system is a firm based own export department where the manufacturer directly sells to consumers or companies in foreign countries. With this regard, the firm has entire control over its distribution of services and goods, sales, distribution, pricing, marketing and other choices by business.

Indirect Exporting

When a firm uses home-oriented agent or merchant in order to locate and distribute goods to buyers in foreign country, it employs indirect exporting. This type of exporting has less risk and expense and it is easy to start on and possess moderate capital investment. Intermediaries acts as indirect agents between buyer and exporter and assists the stream of goods.

> **To Do Activity**
> Visit any business organization and analyze their criteria for selecting export product. Also understand the method of exporting done to different countries.

Price Quotations

Once after registering the business, the offer or a quotation will be given by the exporter to a foreign buyer for sale. Generally, it will take the format of Proforma Invoice. It provides information pertaining to

- Buyer or Consignee's Name and Address
- Explanation about the goods which is to be sold
- Price
- Condition of sale
- Other provisions namely payment terms, delivery schedules, escalation clause because of increasing prices/costs etc.

It is essential to understand the end point of sellers' responsibility in export trade. The price will be quoted by the seller 'exworks' in his own money and the rest is left in the hands of foreign buyer. The importer or the buyer would like to get the goods delivered at their doorsteps at a free delivery cost and also at an elite price quoted with own money. The first kind of price quotation is termed to be 'exfactory' while 'franco quotation' is the second type of price quotation. In this competitive world, exporters should run, identify, and meet the requirements of importers.

The quotation is basically an offer for selling goods which is designed by the seller and presented to the buyer. The goods which are displayed for sale should have a proper and perfect terms and conditions that includes quantity, prices, discounts, quality, terms of delivery, payments etc. Initially when doing exports, the exporter will indent the order from his agent or importer or receives the order. The indent is meant as the transactions to be performed by the exporter when exporting the goods. The transactions such as price and description of goods, packing instructions, insurance, marking, payment mode to be espoused by the exporter, import license details, timely delivery of goods and the methods of delivery, etc. When the buyer receives the proforma invoice, then it is a confirmed order that actually indicates the positive sign to go ahead with the export formalities for exporting of goods to the places mentioned.

Figure 1.7 shows the sample export quotation worksheet done by export firm for exporting of goods from one country to other country.

Export Quotation **[Date]**

I. Export Unit Price			
	Amount		
a. Export Unit Price	$0.00		
b. Number of Units	$0.00		
EXW [Ex Works] Price (a X b)			$0.00
II. Financing and Inland Fees			
a. Financing Fees	$0.00		
b. Labeling & Marketing Costs	$0.00		
c. Export Packing Fees	$0.00		
d. Shippers Export Declaration Fee	$0.00		
e. Bank Draft Fees	$0.00		
f. Certificates of Origin Fees	$0.00		
g. Export License Fees	$0.00		
h. Freight Forwarder Fees	$0.00		
i. Domestic Shipping Insurance Costs	$0.00		
j. Inland Freight (Pre-carriage) Costs	$0.00		
k. Other (Name)	$0.00	$0.00	
III. Port Charges			
a. Unloading (Heavy Lift) Charges	$0.00		
b. Terminal Service Fees	$0.00		
c. Other (Name)	$0.00	$0.00	
FAS [Free Along Side] Price			$0.00
IV. International Air, Sea or Land Freight Charges			
a. Freight Charge (Main-Carriage)	$0.00		
b. Bunker Surcharge	$0.00		
c. Port Congestion Surcharge	$0.00		
d. Country Landing Charge	$0.00		
e. Other	$0.00		
CFR [Cost and Freight] Price			$0.00
VI. International Insurance	$0.00		
CIF [Costs, Insurance & Freight] Price			$0.00
		Total	$0.00

Fig. 1.7 Sample Quotation Worksheet

1.2 Terms of Payment

The terms are influential in enlarging the export business and magnetize the foreign buyers. Many exporters will export the goods on the source of attractive terms of payment, although they are not competitive from the perspective of quality or price. Terms of payment are dogged by a set of factors namely trade practices, exchange control regulations, bargaining strength of buying and selling, and buyer's financial position.

Methods of Payment

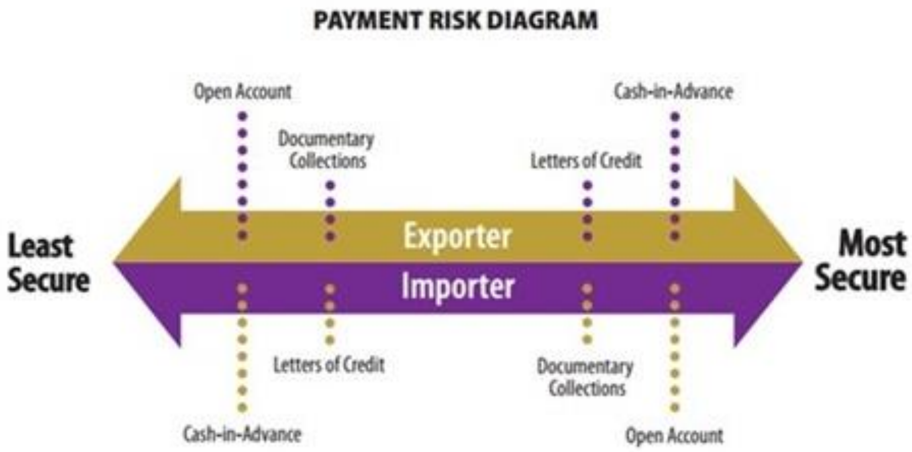

Fig. 1.8 Payment Risk Diagram

Open Account

In international trade, the open account transaction is where the products are transported and delivered before making the payment by the buyer which is actually in due, that are to be paid normally within one month, 60 or 90 days. For exporters, the open account is risky whereas from the perspective of a client this is the most preferred mode of payment in provisions of risks and costs.

Documentary Collections

Documentary collections allow banking channels to handle the movement of funds for the payment. Through this channel, the bank has the power on the product till the payment is made by the importer and hence the exporter is dependent upon the bank. The remitting bank (exporter's bank) sends papers to the collecting bank (importer bank) along with the instructions attached for payment. The bank helps the exporter to receive the payment made by the importer for exchanging of documents. The risk involved in documentary collection is when the mood of the buyer is changed where there is no need of that product now.

Letters of Credit

To the international traders, Letters of credit are one among the major secured instrument. It is a promise made by the bank to the importer that the exporter will receive the payment, provided if the terms and conditions are met by verifying all the documents presented by them. The buyer will pay to the bank when the credit was established by them. This Letter of credit will be beneficial when it has foreign buyer's credit information which is difficult to obtain and yet the exporter will be satisfied by the creditworthiness of the foreign bank of the buyer. Till the goods are shipped and reaches the buyer, there is no payment obligation made by the exporter to the importer which is actually protected by Letters of Credit.

Cash-in-Advance

Since the payment is made before the transmission of ownership of goods, the exporter can avoid nonpayment risk or credit risk through cash-in advance. The most regularly used cash-in advance options by exporters are credit cards and wire transfers. By employing this option, the exporter can use client's money to raise funds for the production of product that he is selling.

Table 1.1 Comparison of Different Methods of Payment

	Cash in Advance	Letter of Credit	DC/BoE	Open Account
Time of Payment	Before Shipment	When shipment is made	On presentation of draft	As agreed upon
Goods available to buyers	After payment	After payment	After payment	Before payment
Risk to exporter	None	Very little - None	Disposal of unpaid goods	Relies on buyer to pay as agreed upon
Risk to importer	Relies on exporter to ship goods as ordered	Assured shipment but relies on exporter to ship goods as described in the documents	Relies on exporter to ship goods as described in the documents	None

1.3 Letter of Credit

A letter of credit is a paper where the buyer inculcates the bank to make payment to the exporter, assuming that the accepted conditions in the original letter of credit are met. This kind of payment is agreed internationally and the effective way of settling the trade payments. International Chamber of Commerce (ICC) governs its rules and guidelines.

- It is the most secure type of payment
- Accessible in all main currencies
- Letter of credit will be given as “Irrevocable” – which cannot be cancelled or amended without the acceptance of all parties of the credit.
- Without the agreement of the parties, even buyer is not authorized to alter or cancel the terms and conditions.
- Based on the documents received from the exporter, the bank will check the conditions and terms of the letter of credit are conformed with, before sending papers to the importer’s bank.
- After transporting goods, the working capital could be restored quickly.
- The payment security provided by the bank will enable the exporter to create and strengthen new business opportunities and relationships.
- The particular documents should be presented such as certificate of origin, commercial invoice, and bill of lading.
- It is given on the basis of ‘term’ or ‘sight’ those drafts that are haggard for urgent payment is termed to be sight and those drafts that are haggard on the basis of term payment are termed to be as term. For example 90 days since bill of lading and 30 days after sight.

Procedure of Letter of Credit

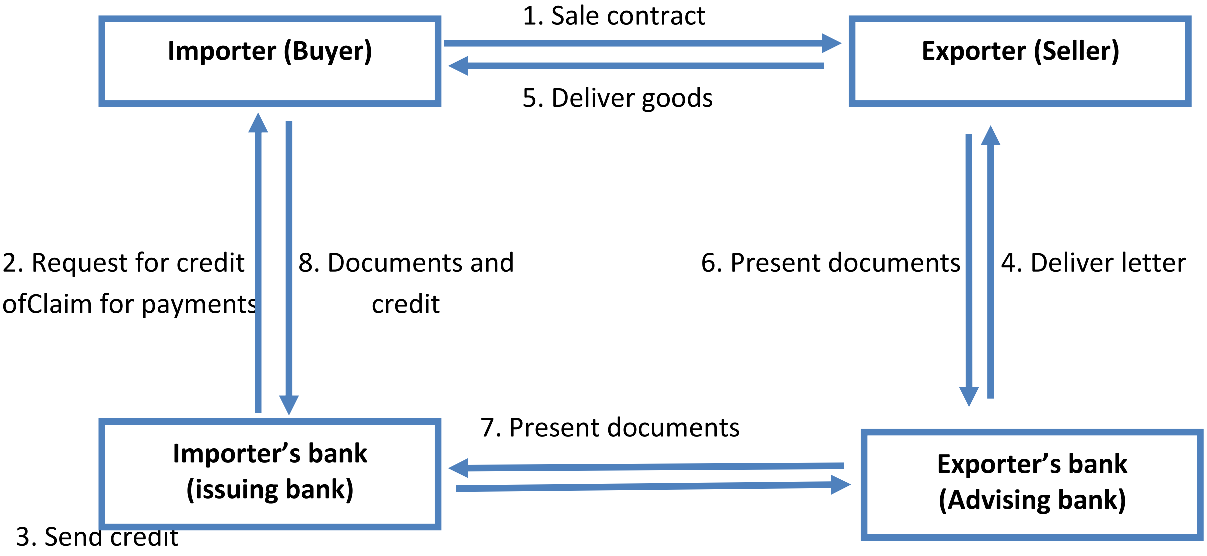

Fig. 1.9 Procedure of Letter of Credit

Parties Involved in Letter of Credit are as Follows

- Candidate of Letter of credit
- Beneficiary party
- LC issuing bank
- Negotiating bank
- Advising bank
- Confirming bank
- Second beneficiary
- Reimbursing bank

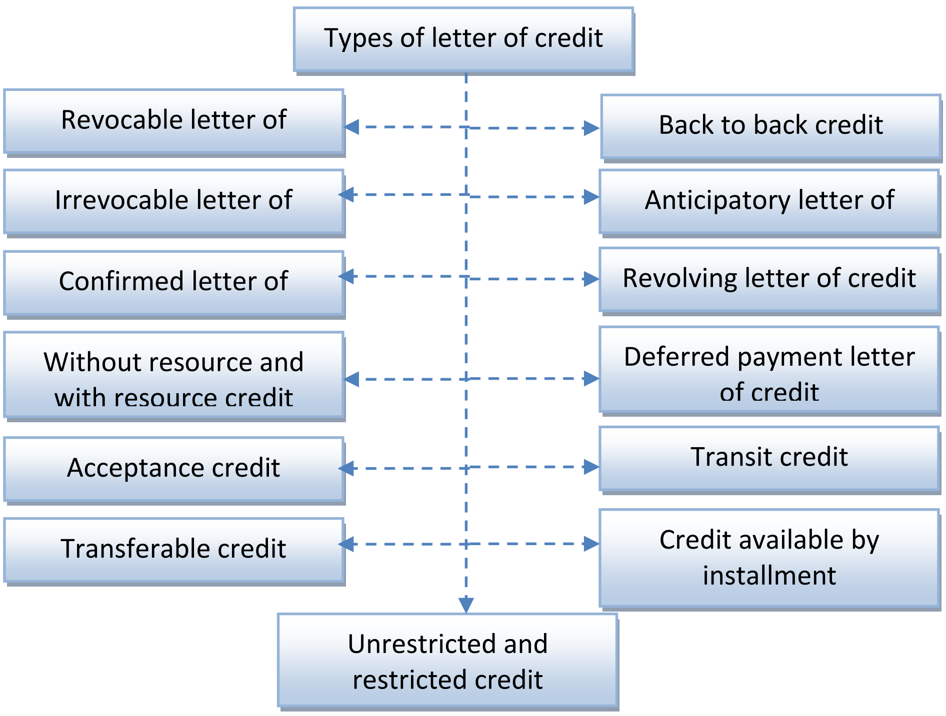

Fig. 1.10 Types of Letter of Credit

Summary

The economic growth of a country depends only on international trade. The major functions of International trade are Exports and Imports. Combining both exports and imports, it makes a country's trade balance. If a business wants to be expanded internationally, it should focus on currency fluctuations. The exporter should focus on the currency risk and formulate appropriate strategies to overcome it. The strategies used for export marketing are directly selling to International customer, selling through distributors, wholly owned subsidiary or joint ventures, selling through representatives/agents, and selling through distributors. To start up export business, initially the business has to be registered by taking into account about the nature of business, opening of bank account, obtaining Import Export Code number, Income tax number, registering with Export Credit and Guarantee Corporation (ECGC), applying for exemption of sales tax and Export promotion council, and to become a member of Chamber of Commerce. Once after obtaining IEC number, the exporter is eligible to apply for Registration Cum Membership Certificate (RCMC) by submitting all relevant documents. The license for exporting goods should be obtained by the exporter to sell the goods to different countries along with the price quotation. The exporter should think about the method of exporting, terms of payment, and letter of credit. Terms of payment are dogged by a set of factors namely trade practices, exchange control regulations, bargaining strength of buying and selling, and buyer's financial position. A letter of credit facilitates the bank to make payment to the exporter based upon the accepted conditions of the credit by exporter. This kind of payment is agreed internationally and the effective way of settling the trade payments.

Review Questions

1. Write short notes on classification of exports.
2. Write a short note on selling through licensing arrangement
3. List down any five Export marketing Organizations in India
4. What are the reasons to register for Import Export Code?
5. What are the documents required for Import Export Code registration?
6. What are the different methods for Exporting?
7. Define Letter of credit
8. Who are all the parties involved in Letter of credit?
9. Explain the selection of Export Product in detail.
10. Briefly explain registration Cum Membership certificate.
11. Enumerate Import Export Code in detail.
12. What are the formalities involved in registering a business? Explain in detail.
13. Elaborate trade balance in detail with suitable examples.
14. Explain the procedure and types of letter of credit in detail with suitable illustrations
15. What is your take on terms of payment?
16. Discuss the strategies of export marketing in detail with relevant examples.

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Chapter 2 Export Procedures

Introduction

This deals with how to start an exporting firm and the steps involved in starting export business. It also gives a detailed understanding about selection of export products and the registration procedure with sales tax, Export Credit and Guarantee Corporation (ECGC), Registration Cum Membership Certificate (RCMC) and obtaining Import Export Code (IEC) number for exporting the products. To start any business, it is very much important to understand how to obtain registration number for central excise and registering with various boards and councils. When the goods are exported to different countries, it is necessary to do quality check. Hence this provides complete understanding of quality control and pre-shipment schemes and procedures for exporting products. It also talks about various export promotion councils and commodity boards involved in exporting the products from one country to another country. The critical areas in export business is many, and hence this provides an understanding of various service institutions and role played by it in covering the crucial areas such as packaging, risk coverage etc in exporting goods to other countries.

Learning Objectives

After reading this, you should be able to

- Know the steps for starting an export firm and how to select the export products for transmission of goods.
- Understand the market and buyer registration procedure with sales tax authorities.
- Understand quality control and pre-shipment schemes and procedures of export products, and different commodity boards and export promotion councils of India.
- Know the specific service institution helping the exporters to export products.

2.1 Starting an export firm

2.2 Quality control and preshipment schemes and procedures

2.3 Export promotion councils

2.4 Commodity boards

2.5 Specific Service institutions

2.1. Starting an Export Business

Establishing an Organization

↓

Opening of Bank Account

↓

Attaining Permanent Account Number (PAN)

↓

Attaining Importer Exporter Code (IEC) number

↓

Pricing/Costing

↓

Product selection

↓

Market selection

↓

Finding Buyers

↓

Sampling

↓

Pricing/Costing

↓

Negotiation with Buyers

↓

Pricing/Costing

↓

Risks covered through ECGC

Fig 2.1 Steps for Starting an Export Firm

1. **Step 1 Establishing an Organization**
   In order to begin the export business, it is necessary to establish the Partnership Company or firm/proprietary concern as per the process with an eye-catching logo and name.
2. **Step 2 Opening of Bank Account**
   The exporter should cautiously select the bank which actually supports his business and he is supposed to open a current account in that bank. If it possible, he is entitled to open a current account in that particular bank which has authorize to pact with foreign exchange. It is also essential for the exporter to maintain good rapport with the banker. The excellent bank is the one which supports the exporter.
3. **Step 3 Attaining Permanent Account Number (PAN)**
   It is essential for each and every importer and exporter to attain a PAN obtainable from Income Tax Department.
4. **Step 4 Attaining Importer Exporter Code (IEC) Number**
   It is mandatory for all the exporters to obtain a code number issuing by the Reserve Bank of India (RBI). The exporter should write the income tax number prearranged for him on the CNX form which will be useful for acquiring the code number. It is mandatory for the exporter to collect two sets of application form from RBI in the Exchange Control Department (exports). One copy of financial standing which is confidential and another copy of two sets of CNX application form should be putted inside the sealed envelope and it should be submitted to RBI. The exporters are also entitled to attain an Import-Export Code number (IEC) as per the regulation of EXIM POLICY (from 19921997). To attain IEC number, the exporter should apply to the imports' and exports' chief controller. This will enable to export or import any non-prohibited goods. Obtaining code number is not applicable for exporting of services like construction contracts and consultancies.
5. **Step 5 Registration Cum Membership Certificate (RCMC)**
   For getting permission to export/import or allowance under FTP 201520 or availing any other advantage, also to get guidance/services, the exporter should attain RCMC permitted by respective FIEO/Authorities/Export Promotion Councils/Commodity Boards.
6. **Step 6 Product Selection**
   Except those items mentioned in restricted/prohibited list, all other products are freely exportable. Once after reading the trends of various products of export from India, appropriate choice of the product which is to be exported are made.
7. **Step 7 Market Selection**
   Once after doing a background research about competition, payment terms, market size, and quality requirements etc. the foreign market should be chosen. Based upon the export benefits available for some countries beneath the FTP, the exporter should assess the overseas market. It would be help to collect information from India Missions abroad, relatives, Export Promotion Agencies, friends, and colleagues.
8. **Step 8 Finding Buyers**
   The effectual tool to spot the buyer is contributing in trade fairs, web browsing, exhibitions, buyer seller meets, and B2B portals. Not only the previous mentioned tools, it is also possible to find buyers from foreign chamber of commerce, EPC's, and India Missions Abroad. Developing multilingual website with price of the product, payment terms of the

product, product catalogue, and any other associated information would also lend hand in finding buyers.

9. **Step 9 Sampling**

   As per the demand of overseas buyers, exporter should provide customized samples in receiving export orders. According to FTP 20152020, Technical samples from freely exportable items and bonafide trade exports are permitted without any border.

10. **Step 10 Pricing/Costing**

    In the perspective of International competition, product pricing is very critical in promoting sales and gaining buyers' attention. The working of price should be checked by taking into account all expenses ranging from sampling to recognition of export proceeds based on sales terms such as Cost and Freight, cost, Free on Board, and Insurance & Freight etc. The aim of setting up export costing is to sell greater quantity at the competitive price with greater profit margin. It is advisable to prepare export costing sheet for each and every product.

11. **Step 11 Negotiation with Buyers**

    Once after understanding the interest of buyers in the product, proceeding with the business, price discounts/wants for providing reasonable allowance, and future prospects may be considered.

12. **Step 12 Risks Covered through ECGC**

    The risk involved in International trade is payment risk because of country/buyer solvency. If Export Credit Guarantee Corporation Ltd. (ECGC) frames an appropriate policy, the risks can be wrapped up. If the buyer fails to make opening documentary credit or advance payment when placing an order, it is sensible to acquire credit limit on overseas buyer from Export Credit Guarantee Corporation to prevent against nonpayment risk.

To Do Activity

Visit any business organization of your choice and interview the personnel to understand how the export business was started and the steps they have undergone to establish it.

Selection of Export Product

In export business, selection of right product is crucial for success. The selection of export product can be done on the basis of factors listed below

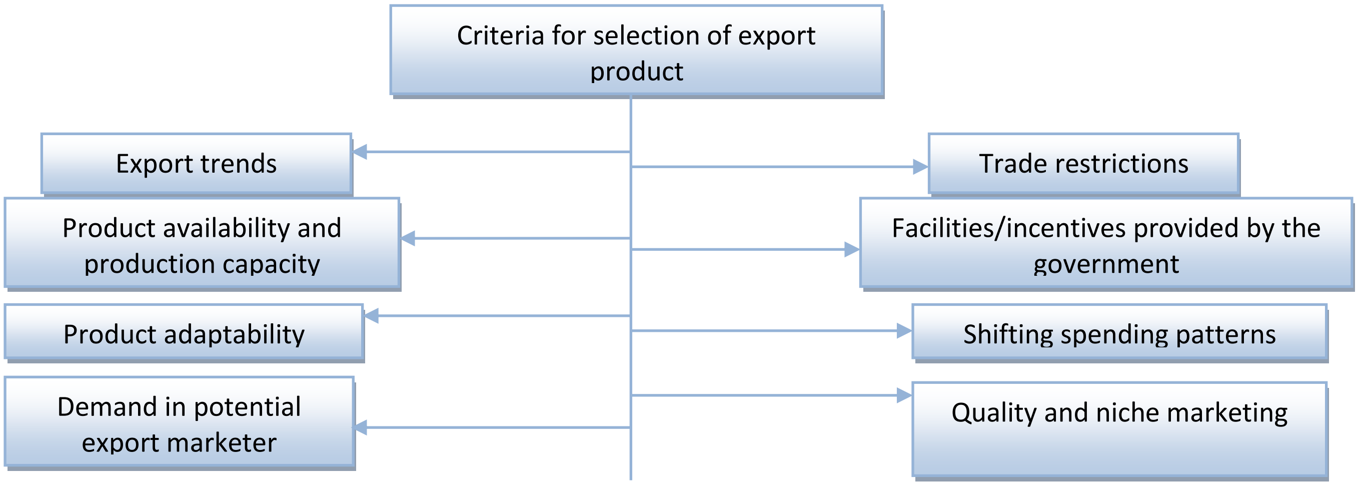

Fig 2.2 Criteria for Selecting Export Product

Export Trends

An entrepreneur who gets idea to enter into exports could spot out the potential product groups/products in foreign markets by assessing the export trends as per commodity wise and country wise over duration of time. Information gained by studying trends for five years period will be very useful. A matrix of fifteen products and countries is prepared based on the investigation of exports trends in Ministry of Commerce.

Product Availability and Production Capacity

The exporter should do a background research to find out the products that has sufficient capacity of production in the country and the product is sourced for preferred quantities. Therefore, those exporters who agreed to deliver the goods in time to the buyer in abroad can be determined with a stable supply of goods and services.

Product Adaptability

The potential for export of goods in one market may be high but the same may have low potential in another market. It might be due to functional requirements, skill levels, difference in the levels of technical development, tastes, physical conditions, and cultural factors. The changes should be made in the market which has low potential for exports.

The product must be able to adapt to the changes made in its color, packaging, design, taste, and size in order to be victorious in the foreign markets. This process is termed to be product adaptation. Hence the product adaptability is one of the main considerations in selection of products for exports.

Demand in Potential Export Marketer

In the targeted market of exports, the demand level for a product is one of the major factor in choosing export products. The following dimensions are to be considered when checking the potential of a product in the market.

- Physical and Demographic Environment
- Economic environment

- Political environment
- Product potential
- Cultural and social environment
- Market access

Trade Restrictions

In a country there may be quantitative restrictions and licensing restrictions to import products from new countries. Nevertheless, countries have decided not to inflict quantitative restrictions on importation under Uruguay Round. All World Trade Organization (WTO) members in a country have committed to follow liberal trade and open policies.

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To Do Activity

Visit any business organization and analyze their criteria for choosing the product for export

Market and Buyer Registration Procedure with Sales Tax

Registration of Organization

- Exporters usually prefer to start small-scale business-like partnership or sole proprietorship. This is due to the fact that, uncertainty involvement in export business.
- If a scale of operation is improved, the inputs should also be enhanced so that the business can be treated as Joint Stock Company or private sector Company, depending on the scale and size of operation.

Registering with Sales Tax Authorities

1. It is not essential to pay sales tax when making purchases for the goods that are meant for exports.
2. Also, the firm is required to obtain protected sales tax number and register with the authorities of sales tax.
3. Purchaser/Exporter has to submit Form H to manufacturer / seller.
4. Export Company has to submit the application to the authorities of sales tax along with the copy of export order or copy of LC for the issue of Form H.
5. Three copies of Form H will be received wherein two copies has to be submitted to seller and one copy to the exporter.

Obtaining Import Export Code (IEC) Number

1. It is mandatory for all the exporters to obtain a code number issuing by the Reserve Bank of India (RBI).
2. The exporter should write the income tax number prearranged for him on the CNX form which will be useful for acquiring the code number.
3. It is mandatory for the exporter to collect two sets of application form from RBI in the Exchange Control Department (exports).
4. One copy of financial standing which is confidential and another copy of two sets of CNX application form should be putted inside the sealed envelope and it should be submitted to RBI.
5. The exporters are also entitled to attain an Import Export Code number (IEC) as per the regulation of EXIM POLICY (from 19921997).
6. To attain IEC number, the exporter should apply to the imports' and exports' chief controller. This will enable to export or import any non prohibited goods.
7. Obtaining code number is not applicable for exporting of services like construction contracts and consultancies.

Registration Cum Membership Certificate (RCMC)

- For getting permission to export/import or allowance under FTP 201520 or availing any other advantage, also to get guidance/services, the exporter should attain RCMC permitted by respective FIEO/Authorities/Export Promotion Councils/Commodity Boards.
- Benefits are entertained only for those holding valid RCMC which is stated by present EXIM Policy.
- Guidance and Literature are provided by MAI, EPC, and MDA.
- For instance, Apparel Export Promotion Council, Engineering Export Promotion Council, Textile Export Promotion Council.
- There are two types of RCMC's such as Merchant exporter and registered exporter.

Registering with ECGC

- While accumulating payments from abroad, a division of Export Credit and Guarantee Corporation from Ministry of Commerce offers exporters the credit insurance because of the involvement of political risk and commercial risk.
- The nonpayment risk can be trounced from the foreign buyers through ECGC policy.
- The ECGC policy helps the exporters to attain easier credit from the bank.
- It is due to the fact that, the ECGC policy benefits the exporters by offering different kinds of post shipment and pre shipment financial guarantees on behalf of them to the bank.

Central Excise and Various Boards and Councils

Allotment of Registration Number of Central Excise

- Those firms which are registered with the authorities of central Excise get Excise Control Code (ECC) from the authority of Central Excise.
- It will have 15 digits number. From those first 10 digits are same as like PAN number.
- Excise duty is applicable for exporter.
- For final products, the goods will have benefit of exemption from duty which is meant for exports.
- If the exemption is not availed by exporter, excise duty will be refunded after doing actual exports.
- Excise duty refund is made on the inputs utilized in manufacture of products which are meant for export.
- The goods will be cleared if the exporter submits six duplicates of ARE1 form to the concerned authority.

Registration with Boards and Councils

- The exporter desires to be the member of productivity council, local Chamber of Commerce, and member of any trade promotion firm realized by Ministry of Industry or Commerce.
- Exporter holding local membership is benefited with facilities like crucial for exports to particular countries and Certificate of Origin.
- Registration should be done for attaining Business Identification Number.
- It is essential for the exporter to obtain PAN oriented Business Identification Number (BIN) from DGFT before filing for clearing of customer for export products.
- Common Identification Number (CIN) should be provided to all persons handling with different regulatory agency namely DGFT office, Central Excise, IT Department, and Customs department.

2.2 Quality Control and Pre shipment Inspection Schemes and Procedures

The Export Act, 1963 of Quality Control and Inspection indicates that 1000 commodities from different groups should go for compulsory pre shipment inspection. The Act authorizes the Government to –

1. Prior to export, inform those commodities which has to go for Inspection or Quality Control or both.
2. Indicate the type of inspection or quality control which can be applied to notified product.

3. Establish, recognize or adopt one or more than one standard stipulation to indicated commodity.
4. Forbid the export of indicated commodity in the case of International trade, unless or until it is accompanied with a certificate stating that it satisfies the conditions linked to Inspection or Quality Control or it should contain the seal affixed by Central Government that it matches to the standard stipulations applicable to Section 7 subclause (c).

Sometimes, the specifications and standards laid down by foreign buyers may or may not be concord by Indian standards. They may persist to nominate their own agencies to do the inspection. These problems should be resolved before order. It is not required to inspect any Agmark or ISI products by any of the Indian agency. Based upon the goods that are to be exported and the nature of products are scrutinized for quality in the succeeding manner

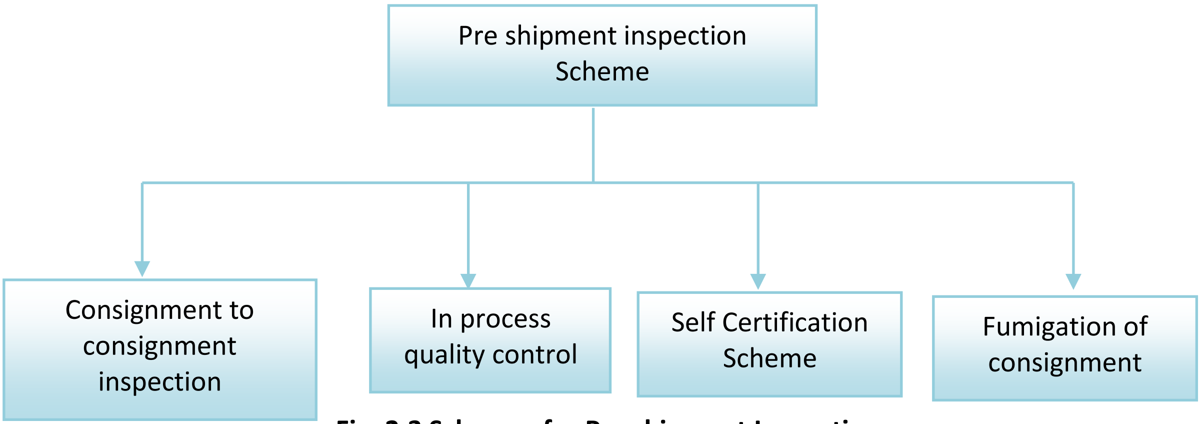

Fig. 2.3 Schemes for Pre shipment Inspection

Consignment to Consignment Inspection

In this system, all individual consignments are subjected to mandatory inspection by EIA. The procedure is as follows

The exporter should get the application and apply in the recommended form to EIA within 7 days before the desirable date of shipment. Commodity Board and Export Inspection Agency should inspect each individual consignment and certificate of inspection will be issued.

In Process Quality Control

Some products like engineering goods and chemicals are under process quality control. The inspection is carried out at different stages of production. It is the duty of the exporter to acquire his product to be indexed as "Export Worthy". The exporter is also responsible to maintain record of production and processing. Inspection is carried out in a timely manner by export inspection agency officers.

At the shipment stage, all the end products are provided with inspection certificate without doing any in-depth study. Export Inspection Agencies (EIA's) provides certificate of inspection in favor of some s that are accepted under the schemes. In process quality control will issue the certificate of inspection for the s approved only if the products are granted with IPQC facilities. In this system, phase by phase inspection is done for products like engineering goods and chemicals during the production process. The inspection includes

- Product control
- Process control
- Packaging and packing control
- Bought out and raw materials control

In India, a total of 800 are operated under this system. Some that are granted with IPQC facilities are given rights to issue inspection certificate only if it gets registered as “Export Worthy s” with apprehensive EIA.

Self Certification Scheme

As the exporter is the best judge in inspecting his product quality and won’t permit his reputation to be blemished by compromising on quality, the Trading houses/export houses, large exporters/manufacturers permit the exporters to do self certification. Those s should submit an application to the Director of inspection and quality control which is in the Export Inspection Council of India. Then the certificate which will be valid for one year will be granted so that they can do self certification for the products. Meanwhile, the exporter can provide a certificate signed by authorized person nominated by him or by himself. The certificate must contain the number and date of Export Inspection Agencies’ reference for registering in self registration scheme.

In this scheme, the manufacturer himself certifies his products and provides exporters with a certificate of export.
This facility is enlarged to the exporters

- Having good will and good reputation in the market.
- Satisfying rigid norms agreed for design and peg enhancement, bought out components, raw materials, and product quality.
- Having process control, quality control laboratory, meteorological control, and quality audit facility which is independent.
- The manufacturing under this scheme should pay a yearly fee with the maximum of Rs. 1,00,000 and minimum of Rs. 2500 per year and at the interest of 0.1% of FOB value to the apprehensive EIA. If manufacturing satisfies the recognized norms, these are recognized and may be stretched for another year or for some months.

Fumigation of Consignment

Exporting of goods like horns and hooves, crushed bones, and deboiled rice bran are used to get insect infestation when it is in storage and transit. These goods must compulsorily go for fumigation to assure the product reaches the port with good condition.

Pre-shipment Inspection Procedure

Those which are approved as ‘Export worthy’ and trained sufficient in process quality control have to submit their application form in the prescribed format mentioned in ‘Intimation for Inspection’ to EIA (Export Inspection Agency). As per the specification mentioned in every level of production, performance of the product will be checked at all stages by EIA officials. The report will be submitted by EIA officials to agency to provide Export Inspection Certificate. Whenever it is required, spot check will be done by the officials.

Those s which are not approved by Self Certification System or in process quality control should apply well in advance (usually 7 days) to EIA officials in the prescribed format before the anticipated date of shipment. The following documents should also be attached with the form are

i. Export contract one copy
ii. Letter of credit one copy
iii. Particulars of packing specification
iv. Commercial invoice which gives proof of value of FOB about export consignment
v. Crossed cheque should be submitted for the sum of inspection fees etc.
vi. Declaration should be provided if there is any importer's technical specification.

Once after receiving 'Intimation for Inspection', Export Inspection Agency (EIA) will appoint and inspector to go ahead for inspection during pre-shipment at the exporter's warehouse or factory.

Only if the inspector gives the satisfactory report to the agency, the inspection certificate (in triplicate) will be issued. The duplicate inspection certificate should be submitted to the importer, triplicate can be kept in record by the exporter and the original certificate of inspection should be presented to Export Department of Customs.

2.3 Export Promotion Councils

Commodity boards and export promotion councils are the major organizations in institutional framework that was established for export promotion in India. These are mainly launched for export servicing, exertion for particular products, and also for other industrial sectors. It is prominent that there are 7 commodity boards and 20 export promotion councils. They are assigned with the work to promote exports of particular products from India.

Functions of export promotion councils

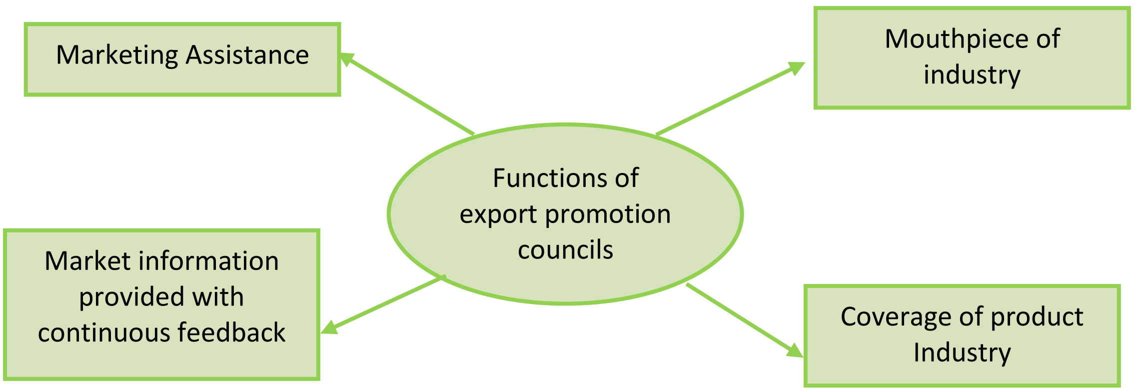

Fig. 2.4 Functions of Export Promotion Councils

1. **Marketing Assistance** The promotional organizations are constantly concerned in offering market intelligence regarding exports and they also used to guide, assist, and advise individual corporate s to design their export plans. They also put effort to design the plan according to product wise as well as market wise. The basic function of commodity boards and export promotion council is to help exporters in offering market information on a

regular basis. It comprises of spotting out prospective importer, market opportunities, importing countries tariff and trade policies, product specifications and designs, warehousing, packaging, buying practices, agents and channels of distribution, government regulations, pricing, competition, promotion and publicity, shipping and transportation etc. To put in other words, the assistance and help offered to individual exporter organization, covers all of the important elements in export marketing effort.

2. **Market Information Provided with Continuous Feedback** Though it offers marketing service, these organizations take steps to offer continuous feedback about market information to the individual firm operating in India. The councils that operate are circulars and in-house bulletins and other publications with an inclusion of importers directories and statistical information, etc.
   In order to collect that ample information, the overseas offices are established in all parts of the world by the authorities of commodity boards and Export Promotion councils. Pertaining to this, they also launched sponsor trade delegations, does market surveys which was done particularly in India, and organized conferences and exhibitions with prospective importers.
3. **Mouthpiece of Industry** These export promotion councils and commodity boards serves as a mouthpiece of industry and also seeks proper changes in the policies formulated by government, persuading the effort of export in their particular area of interest.
4. **Coverage of Product Industry** Entire list of Industries/products are presently taken care by various authorities of Commodity Boards/Export Promotion councils and Industry Associations.

2.4. Commodity Boards

The statutory bodies which are responsible for the growth of cultivation, marketing, processing, increased productivity, and research and development is commodity boards. They are cautious in generating remuneration to developers by motivating cooperative ventures, quality and marketing upgradation, producing through auctions etc. Commodity Boards takes responsible of these seven companies such as tobacco, silk board, rubber, tea, coir, coffee, and spices. Except silk board, all other commodity boards are registering authority and also issues Registration Cum Membership Certificate (RCMC).

Special authorities for specific products Special authorities are appointed for promoting exports of processed foods, marine products, Klladi and Khadi products, and cinematographic films. The authorities are

- Authority of Marine Products Export Development
- Authority of National Film Development Corporation
- Authority of Agricultural and Processed Food Products Export Development
- Authority of Khadi and Village Industries Commission

The industry associations for promoting exports of products like extractions of groundnut, solvents, cottonseed, and soyabean are as follows.

- The Solvent Extractors Association of India
- The Groundnut Extractors Export Development Association
- All India Cotton seed Crushers Association
- Soyabean Processors Association of India

1.5 Specific Service Institutions

Export marketing effort has to be strengthened through many specialized service inputs and technical inputs at individual business level. This wraps up critical areas like quality control, promotion and finance, packaging, and risk coverage.

Fig. 2.5 Different Specific Service Institutions for Export

Indian Institute of Packaging

Packaging plays a vital role in export marketing. Due to foreign buyer's nature of expectations are conflicting, the task provided was highly challenging and complex. Invariably, they stressed on the packaging to be very sturdy and strong to make sure the tangibility of goods and also expect the packaging to be highly easy to unpack. If the packaging is good, the time will be saved and unpacking labor cost will be automatically reduced. Therefore, Government of India has set up Indian Institute of Packaging, for providing guidance, assistance, and advice to support exporters from India to efficiently tackle the challenges of front packaging.

The institute is primarily engrossed in arranging training programmes with regard to packaging technology. This has been documented as an agent for testing and valuation of packages for perilous cargo and also it is authorized for UN certification of exports. It is engrossed in budding the eco friendly packages and national values of packaging. It has been spotted out to perform as the coordinating agency for the beginning of Bar-Coding technology in those countries that give greater importance in exporting of Indian goods.

Export Inspection Council and Agencies

The agencies of export inspection are appointed by the council to certify the export worthy and quality perspective of the products that are manufactured, processed and exported from India. In this same path, indirectly, Government of India guarantees the foreign buyers regarding the export worthiness and quality of the products that are exported from India. It has been declared as a statutory requirement. Normal exporting nits are subjected to regular inspection by agencies of Export Inspection and are acknowledged as export worthy. Pertaining to this, agencies offers advice and guidance to individual export business about technical specifications and standards mandatory for globally overhauling export markets.

The Export Inspection Agencies are also qualified to provide GSP Certificate of Origin that permits exporter from India to attain preferential duty allowance in the marketplace of developed countries like North America, Australia, West Europe, New Zealand, and Japan etc. The pilot test house was established by Export Inspection Council at Mumbai to test engineering products specifically from small scale sectors more promptly, efficiently, accurately, and comprehensively. It also provides technical support amenities to the industry. Training will be given to the inspection officers by Quality Development Centre at Madras which was set up by EIC. The procedures for measurement, evaluation, and resolution of complaints will be developed from foreign buyers.

Export Credit and Guarantee Corporation

The Export Credit and Guarantee Corporation was established by Government of India. Nonpayment risk by foreign buyers and political risk in obstruction of transmission of funds are insured by ECGC. The corporation guides the exporters via unique schemes such as export finance guarantee, packing credit guarantee, post shipment credit guarantee. The task of exporter from India is made free from those risks. As a supplementary service, ECGC assures commercial banks offering working capital for export business financing. Thus, the individual export firm from India finds it easy to organize financial support from banks for doing export business. The General Insurance Corporation of India offers essential marine insurance to exporters to cover the physical dent of the export cargo.

EXIM Bank for Long Term Credit

It has become increasingly significant to include turnkey jobs, supply of entire plant and heavy machinery or equipment, joint ventures, and project exports in International Business. Government of India has launched Export Import Bank of India for offering essential credit lines for realizing its export potential in this field. The bank offers assistance through sellers' credit, venture capital or line of credit, and buyers' credit. It facilitates the Indian exporters to continuously undertake exports projects and joint ventures or turnkey jobs in overseas markets. It facilitates the exporters to promote exports of construction services and technical consultancy, as they are connected with turnkey jobs and projects.

Indian Council of Arbitration

As export business are done internationally, it is found to be highly uncertain, time consuming, and dangerous is all the argument between importer and exporter are completed through normal legal remedies. Due to this, the exporter will be introverted to take export business. In order to complete these disputes, Government of India has launched Indian Council of Arbitration. Subsequently, Indian exporters should promise with settle down the disputes in a fast manner as per internationally agreed practices and norms which have been evolved over many years in different countries. Indian Council of Arbitration stands as a backbone for Indian exporters to take export business without any hesitation on account of resolution of disputes if there is any.

Federation of Indian Export Organizations (FIEO)

The FIEO acts as a coordinating body for different service institutions and for Export promotion Council launched by Government for the purpose of trade promotion. The integrated assistance is provided to export houses recognized by Government by the Federation which is the basic servicing agency. It mainly places its emphasis on inter and intraregional cooperation in economic matters and trade with a objective of promoting the agreement and understanding through technical ties, economic, and trade. Pertaining to this, the national level industry associations like CEL (Confederation of Engineering Industries), ASSOCHAM (Associated Chamber of Commerce), and FICCI (Federation of Indian Chambers of Commerce and Industry) also play a collaborating role for promoting the benefit of the sector they symbolize and supporting the viewpoint.

Indian Trade Promotion Organization (ITPO)

Combination of Trade Development Authority and Trade Fair Authority of India forms the Indian Trade Promotion Organization. The leading promotion agency for the Government of India is ITPO with its headquarters situated in New Delhi. The International offices was established at New York, Dubai, Frankfurt, and Tokyo. ITPO maintain good rapport with the industry, trade, and government as it is a service institution. The institution benefits the industry by offering participation support in fairs and by offering marketing information as well. It facilities in the growth of new items and employs its connected offices in abroad and India to enhance the trade oriented services. Its trade information centre was established at New Delhi. The purposes of ITPO are as follows

- To arrange trade fairs in abroad and in India.
- To arrange trade enhancement and promotion via specialized programmes namely contact promotion, exchanging of business delegations, buyer seller meets, and promotion via departmental stores etc.
- To help technically fit s in product adaptation and development.
- To motivate and engage small scale and medium scale industrial s export promotion.
- To conduct need based and in-house research on export promotion and trade
- To list down the engrossment and state Government support in promoting foreign trade of India.

Indian Institute of Foreign Trade (IIFT)

The core organization for export marketing intelligence is IIFT launched by Government of India and it also a apex organization at the national level. IIFT carries out the succeeding functions

1. **Market Information Storehouse** It runs as a warehouse for marketing information for market wise as well as product wise. In order to spot out the opportunities for exports for the whole export sector, it has conducted a market survey in all parts of the world.

2. Offers international business management training Pertaining to it, IIFT is a premier institution and pioneer in providing education programmes for International Business Management. As it is a government institution, it offers training Programme for service personnel of Government of India from Indian Administrative Service, Indian Economic and Statistical Service, Indian Foreign Service, and Central Trade Service.
3. Advices government about trade policies One of the most significant function of the organization is to provide advice for the Government of India in respective of foreign trade operations, policies, and strategies. The export service organizations such as Individual export corporate s and export promotion councils frequently approach IIFT to obtain guidance and advice as it is one of the leading institutions.

National Institute of Fashion Technology (NIFT)

NIFT was launched for human resource enhancement for garment industry with the head quarters situated in New Delhi. It organizes professional programmes in the areas of marketing and apparel merchandising, garment manufacturing technology and fashion design. It provides training through consultancy services and workshops. It has tied a technical agreement with Fashion Institute of Technology in Nottingham Polytechnics UK and New York.

Summary

To start up any export business, the exporter should attain bank account number, Permanent Account Number (PAN), Importer Exporter Code (IEC) and the exporter should also focus on the product and market selection, finding buyers, sampling, negotiating with buyers, and risks wrapped up by Export Credit Guarantee Corporation (ECGC). The goods are exported by the exporter after selecting the products based on certain criteria. They are export trends, product availability and production capacity, product adaptability, demand for potential export marketer, trade restrictions, benefits offered by the government, shifting spending patterns, niche and quality marketing. The market and buyer should register with the sales tax authorities and have to obtain Import Export Code (IEC) number and Registration Cum Membership Certificate. The exporter should also obtain central Excise registration number and have to register with various boards and councils. Once after all the registration procedures, the goods should for quality check and pre-shipment inspection. There are many particular service institutions that play a vital role in exporting products and also in export marketing.

Model Questions

1. Explain the steps involved in starting an export Business in perspective of any industry of your choice.
2. Discuss in detail the criteria for selecting export product with suitable example.
3. Elaborate on the registration procedure with sales tax.
4. Describe in detail the registration procedure of central excise and with various boards and councils.
5. Enumerate on quality control and preshipment inspection schemes with suitable illustrations.
6. Discuss pre-shipment inspection procedure in detail.
7. Explain the functions of export promotion councils and commodity boards in detail.

8. Discuss specific service institutions of exports in detail.

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Chapter 3 Export Documents

Introduction

This chapter deals with various export documents involved in exporting the goods and services. Initially to export any product, it should obtain EXIM code number and hence this study provides detailed description about EXIM code number, various elements in export contract. The evolution of Incoterms plays a vital role in export business and it is defined and described in detail the various Incoterms involved in export business. It also deals with terms of payment for exporting business and the methods involved in it and also it provides insights about what are letter of credit, procedures, and types of letter of credit for exporting the products to other countries. This also talks about various export documents involved in exporting the goods and how to process an export order and the steps involved in it. It is significant for the exporter to understand the world shipping structure to transmit their goods from one country to another country and also its relationship with the markets of their respective products. Shipping services plays a significant role in exporting products and hence this provides insights about liner, tramp shipping services, and conference system freight. The chapter also deals about the International agreement on sea transport for exporting goods to different countries and the concept of dry port and containerization was discussed in detail to understand the terminologies involved in exporting goods. Exporting goods can be done through many modes of transportation. One of the main modes of transportation is Air transport. The International agreement on air transport was elaborated to get clear idea of what type of goods can be transmitted using air freight and typical reasons for utilizing it. The freight rate structures and the rates wrapped up in air cargo tariff were detailed to help exporters to understand the rate structures of air freight. Good relationship between owner of mode of transport and owner of goods is highly important in exporting goods and hence the role of clearing and forwarding agents is discussed in this chapter to gain knowledge on the activities done by them while exporting goods to different countries.

Learning Objectives

After reading this, you should be able to

- Understand export documentation and the elements of export contract.
- Understand how to process an export order and world shipping structure for exporting goods.
- Know what is dry port, containerization, liner shipping service, tramp shipping service, and conference system freight.
- Understand the international agreements on sea and air transport and the role of clearing and forwarding agents in exporting products.

Structure

- 3.1. Elements of export contract with EXIM code number
- 3.2. Export documentation
- 3.3. Processing of an export order
- 3.4. World shipping structure
- 3.5. International agreements on Air transport
- 3.6. Role of clearing and forwarding agents

3.1. Elements of Export Contract with EXIM Code Number

EXIM Code Number

Import Export Code (IEC) is a kind of registration that is essential for a person exporting or importing services and goods from India. The Directorate General of Foreign Trade (DGFT) from Ministry of Commerce and Industries, Government of India provides IE code to the persons opting for it. IE codes don't require any renewal of filing if the entity works throughout its existence. Henceforth it is suggested that irrespective of the need at that minute, it is mandatory for all the organizations to acquire IE codes. The application of IE codes should be sent with the supporting documents to the Directorate General of Foreign Trade. The DGFT will provide IE codes within 1520 days or less than it to the entity, once after submitting the IE code application. Below are the reasons to register for IE Code

IE Code is Required by the Importer

It is necessary for all the importers to obtain IE codes those trades in goods into India. When clearing the customs, it is mandatory to quote IE code. When banks transfer money to abroad, it requires IE code.

No Return Filing

The code doesn't necessitate for any return filing. Once if the code is issued to an entity, it is not required to renew the code. DGFT doesn't ask for any return filing even if any export or import transactions prevails.

Proprietors can Hold IE Code

Individuals as proprietors require getting Import Export Code (IEC) in their name for their own business. It is not mandatory to attain IE code by incorporating entire business entity.

IE Code is Required by the Exporter

It is necessary for the exporter to hold IE code when he transmits goods from India. When sending shipments, it is essential to code IE code. When banks receive money from abroad, it requires IE code.

No Renewal for Lifetime

The DGFT issues IE code for life time to the business or entity and doesn't require any renewal of Code. Once the code is attained, business or entity can employ the code whenever import or export transaction occurs.

Registration Steps for Import Export Code

- Step 1 Initially, the application form should be prepared in a prescribed formats per section 2A of Aayaat Niryaat form and sleeve it the concerned DGFT's regional office.
- Step 2 Requisite documents along with proof of legal entity, identity proof, bank details, address proof, and the respective certificate in reverence on ANF2A
- Step 3 Once after completing, it is necessary to file it with DGFT along with Digital Signature Certificate (DST) and pay the respective fee for IEC registration.
- Step 4 Lastly, once after the application is approved, the IEC code will be received in a soft copy form by the government.

Requisite Documents for IEC Registration

- PAN card copy of Firm or Individual or company
- Individual's passport copy or voter id or Aadhar card
- Firm's or Individual's or company's cancel cheque copy of current account in the bank
- Copy of electricity bill of the entity and copy of rent agreement

Benefits of IEC Registration

- Expansion of business
- Not required to file returns
- Not required to renew the IE Code
- Availing several benefits
- Easy processing

The importer and exporter should be cautious in the requirements of elements in export sales contract.

Name and Addresses of the Parties

The name and addresses of the parties should be stated clearly along with standards and specifications of the product.

Product Name

- The technical name of the product should be mentioned
- Size of the product which is to be supplied should be clear
- Particular buyer requirements
- Applicability of International or national specifications and standards

- Sample specifications

Elements of Export Contract

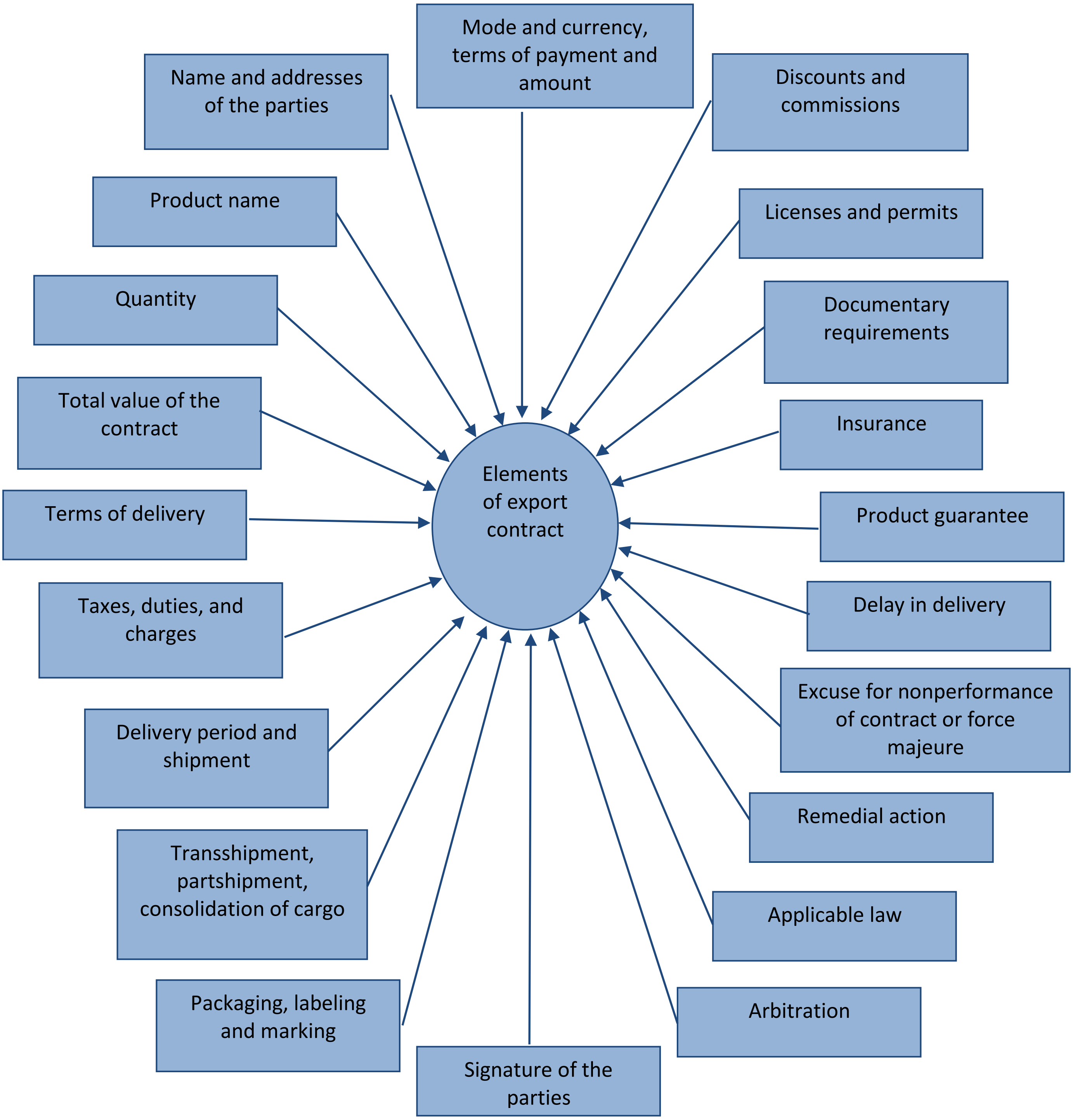

Fig. 3.1 Elements of Export Contract

Quantity

Quantity of the product should be specified clearly both in words and figures. The s of measure should also be clearly mentioned. Though general agencies do preshipment inspection for the goods, foreign buyers may instruct their own inspection agencies and states the inspection conditions. Thus, the parties should mention the nature of goods, the manner which should be done, spotlight on the inspection, and inspection agency.

Total Value of the Contract

The total contract value should be mentioned in both figures and words and the currency should be detailed in contract.

Terms of Delivery

Terms of delivery which is one of the Incoterms should be mentioned in the contract.

Taxes, Duties, and Charges

Seller quotes the price with the inclusion of duties, taxes and charges. If any Levies are there in the country of importation, the buyer is liable for those Levies. The contract should clearly mention that different taxes to be paid by the seller and buyer. Also, what are the taxes that buyer and seller are liable to pay? All this information should be specified in the contract.

Delivery Period and Shipment

The place where the goods have to be dispatched and delivered should be noticeably mentioned in the contract. Also, it should also mention whether the delivery period will start from the contract date or from the notification date of providing an unalterable letter of credit or the receipt date.

Transshipment, Part shipment, Consolidation of Cargo

The contract should transparently utter whether the parties have accepted for transshipment or part shipment. It should also state the port and number of transshipment and whether any of the partial shipments are agreed by the parties. If any of the goods are to be shipped under a combination of export cargoes scheme, that information should be clearly mentioned in the contract.

Packaging, Labeling and Marking

All the information pertaining to packaging, labeling and marking should be clearly mentioned in the contract.

Mode and Currency, terms of Payment, and Amount

The exporter should specifically mention the price quoted in the contract is based on the South African rand's current exchange rate or based on any other currency (for e.g. US dollar). It should also address the fluctuations in the current exchange rate.

Discounts and Commissions

The contract should mention whether the amount of commission and discount to be paid by the importer or exporter. The rate and the basis on which the commission is calculated should be clearly stated. It should also state commissions and discounts are included in the export price which is agreed by the importer and exporter.

Licenses and Permits

Obtaining import license might be difficult in the buyer's country. Therefore, parties of the contract should mention whether import or export license is required for export transaction and who should bear those expense and who should take the responsibility for acquiring them.

Insurance

A contract should state clearly about the insurance for goods towards any loss, destruction or damage during transportation. It should also mention the risk covered and the scope of coverage.

Documentary Requirements

Those documents that are to be provided by the exporter to the importer/buyer should be clearly stated. The exporter is required to have certificate of insurance for marine rather than policy to allow him to ship the consignments beneath the open policy.

Product Guarantee

The guarantee period of the product should be fixed in the contract.

Delay in Delivery

The contract should specify the damages happened through late delivery of products to the buyer from seller due to unavoidable situations.

Excuse for Nonperformance of Contract and Force Majeure

It is essential for the parties to include some provisions in the contract that would alleviate them during unforeseeable circumstances for the nonperformance of the contract.

Remedial Action

The occurrence of default in contractual obligations committed by either importer or exporter is normal, hence it desirable to include some remedial actions in the purchase or sales contract. Those remedial actions mentioned in the contract should reflect the obligatory law provisions.

Applicable Law

The law of the country should be mentioned in the contract in order to govern it.

Arbitration

The arbitration clause should be mentioned in the contract to facilitate the harmonious and fast settlement of disparities and disputes that may arouse between the parties.

Signature of the Parties

Signing in the contract indicates that both the parties agree to the terms and conditions in the contract. In International trade, the passing of ownership is uncertain. It is not essential to have bill of lading when shipment is by road, sea, air transport or rail. Also, it is necessary to mention the ownership reservation clause in the sales contract because till the exporter receives the purchase price, he will reserve the ownership.

Incoterms

The words 'free on board' and 'exworks' are the terms of delivery developed before many years back to fit specific circumstances. Even if the words were interpreted in different ways, the occurrence of misunderstandings was high. To clear up all the confusion happened in International trade, the International Chamber of Commerce came up with a standard definitions and terms on 1st July 1990. These words are termed to be Incoterms 1990 and point out the division of administrative responsibility and costs between the customer and exporter.

Although it was accepted internationally, the terms are still interpreted differently in varied countries. For instance, the word CAF (cout, assurance, fret) was interpreted by a French customer instead of CIF, but both meant to be the same thing.

Rights and Obligations of Incoterms

The rights and obligations are framed by Incoterms for both seller and buyer and also for each of the terms they use. Henceforth, each party can make out what they supposed to do and what they can expect from the opponent party. The trading nations espouse the scope of misapprehension of convention or treaty. This document was designed by the specific business concern. In order to make it relevant, the parties should mention that their contract could be interpreted as same like specific Incoterms.

Types of Incoterms

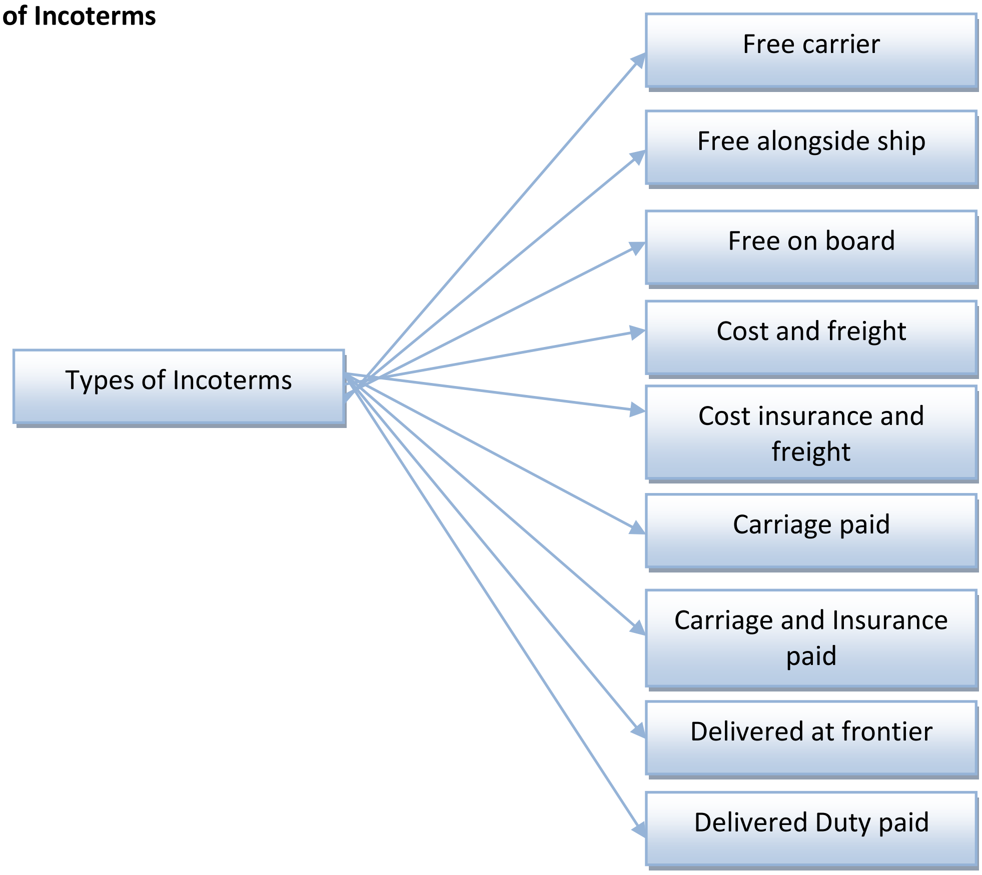

FIG. 3.2 Different types of Incoterms

Free carrier

Free carrier is meant to be delivering of goods and clearing for exports by the seller to the buyers place mentioned in the document.

Free Alongside Ship

Free alongside ship is seller delivers the goods when it was located alongside the container at the particular port of shipment.

Free on Board

Free on board is seller delivers the goods when it passes the ship's rail at the specific port of shipment.

Cost and Freight

Cost and freight is seller delivers the goods when it passes the ship's rail at the port of shipment.

Cost Insurance and Freight

Cost insurance and freight is seller delivers the goods when it passes the ship's rail at the port of shipment.

Carriage Paid

Carriage paid is delivering of goods by the seller in the carrier chosen by him but it is necessary to pay additional cost of carriage to transport the goods to the named location.

Carriage and Insurance Paid

Carriage and insurance paid is delivering of goods by the seller in the carrier chosen by him but it is necessary to pay additional cost of carriage to transport the goods to the named location.

Delivered at Frontier

Delivered at frontier is seller should deliver the specific goods at a broader location and he is responsible for all expenses and risk associated with the delivery.

Delivered Duty Paid

Delivered duty paid is, the obligation of seller is fulfilled when the goods are accessible in the mentioned location at the country importation. The seller is responsible for all the costs and risks which include taxes, duties, and other charges associated with the delivery and henceforth cleared the importation.

Measures and Methods of Incoterms

At the level of International transaction, Incoterm specifies the position between buyer and seller. When the contract is made between the buyer and seller, the succeeding points are obtained.

- Duties of seller and buyer
- Recognizes who takes care of permissions, insurances, licenses and other formalities.
- Who is going to arrange the transport and up to which destination and who is going to take responsibility for all these activities?
- Determining at where the risks and costs passes on between the seller and buyer.

Terms of Payment

The terms are influential in enlarging the export business and magnetize the foreign buyers. Many exporters will export the goods on the source of attractive terms of payment, although they are not competitive from the perspective of quality or price. Terms of payment are dogged by a set of factors namely trade practices, exchange control regulations, bargaining strength of buying and selling, and buyer's financial position.

Methods of Payment

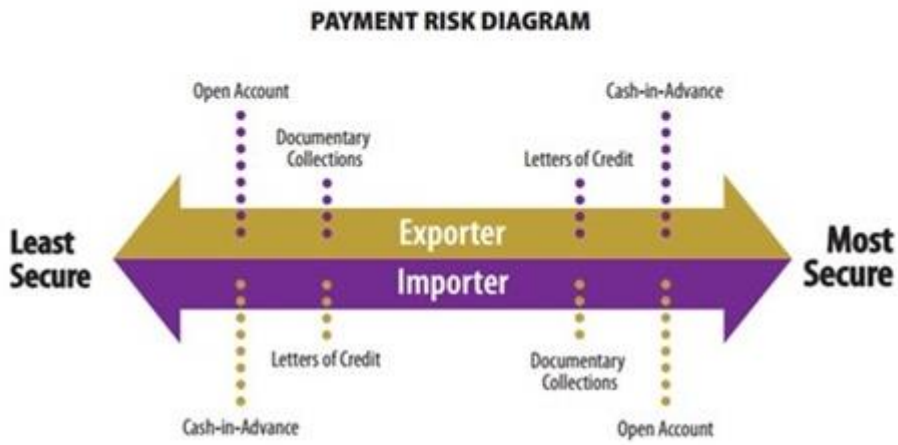

Figure 3.3 Payment risk diagram

Open Account

In international trade, the open account transaction is where the products are transported and delivered before making the payment by the buyer which is actually in due, that are to be paid normally within one month, 60 or 90 days. For exporters, the open account is risky where as from the perspective of a client this is the most preferred mode of payment in provisions of risks and costs.

Documentary Collections

Documentary collections allow banking channels to handle the movement of funds for the payment. Through this channel, the bank has the power on the product till the payment is made by the importer and hence the exporter is dependent upon the bank. The remitting bank (exporter's bank) sends papers to the collecting bank (importer bank) along with the instructions attached for payment. The bank helps the exporter to receive the payment made by the importer for exchanging of documents. The risk involved in documentary collection is when the mood of the buyer is changed where there is no need of that product now.

Letters of Credit

To the international traders, Letters of credit are one among the major secured instrument. It is a promise made by the bank to the importer that the exporter will receive the payment, provided if the terms and conditions are met by verifying all the documents presented by them. The buyer will pay to the bank when the credit was established by them. This Letter of credit will be beneficial when it has foreign buyer's credit information which is difficult to obtain and yet the exporter will be satisfied by the creditworthiness of the foreign bank of the buyer. Till the goods are shipped and reaches the buyer, there is no payment obligation made by the exporter to the importer which is actually protected by Letters of Credit.

Cash in Advance

Since the payment is made before the transmission of ownership of goods, the exporter can avoid nonpayment risk or credit risk through cash in advance. The most regularly used cash in advance options by exporters are credit cards and wire transfers. By employing this option, the exporter can use client's money to raise funds for the production of product that he is selling.

Table 3.1 Comparison of Different Methods of Payment

	Cash in Advance	Letter of Credit	DC/BoE	Open Account
Time of Payment	Before Shipment	When shipment is made	On presentation of draft	As agreed upon
Goods available to buyers	After payment	After payment	After payment	Before payment
Risk to exporter	None	Very little - None	Disposal of unpaid goods	Relies on buyer to pay as agreed upon
Risk to importer	Relies on exporter to ship goods as ordered	Assured shipment but relies on exporter to ship goods as described in the documents	Relies on exporter to ship goods as described in the documents	None

Letter of Credit

A letter of credit is a paper where the buyer inculcates the bank to make payment to the exporter, assuming that the accepted conditions in the original letter of credit are met. This kind of payment is agreed internationally and the effective way of settling the trade payments. International Chamber of Commerce (ICC) governs its rules and guidelines.

- It is the most secure type of payment
- Accessible in all main currencies
- Letter of credit will be given as "Irrevocable" – which cannot be cancelled or amended without the acceptance of all parties of the credit.
- Without the agreement of the parties, even buyer is not authorized to alter or cancel the terms and conditions.
- Based on the documents received from the exporter, the bank will check the conditions and terms of the letter of credit are conformed with, before sending papers to the importer's bank.
- After transporting goods, the working capital could be restored quickly.
- The payment security provided by the bank will enable the exporter to create and strengthen new business opportunities and relationships.
- The particular documents should be presented such as certificate of origin, commercial invoice, and bill of lading.
- It is given on the basis of 'term' or 'sight' those drafts that are haggard for urgent payment is termed to be sight and those drafts that are haggard on the basis of term payment are termed to be as term. For example, 90 days since bill of lading and 30 days after sight.

Procedure of Letter of Credit

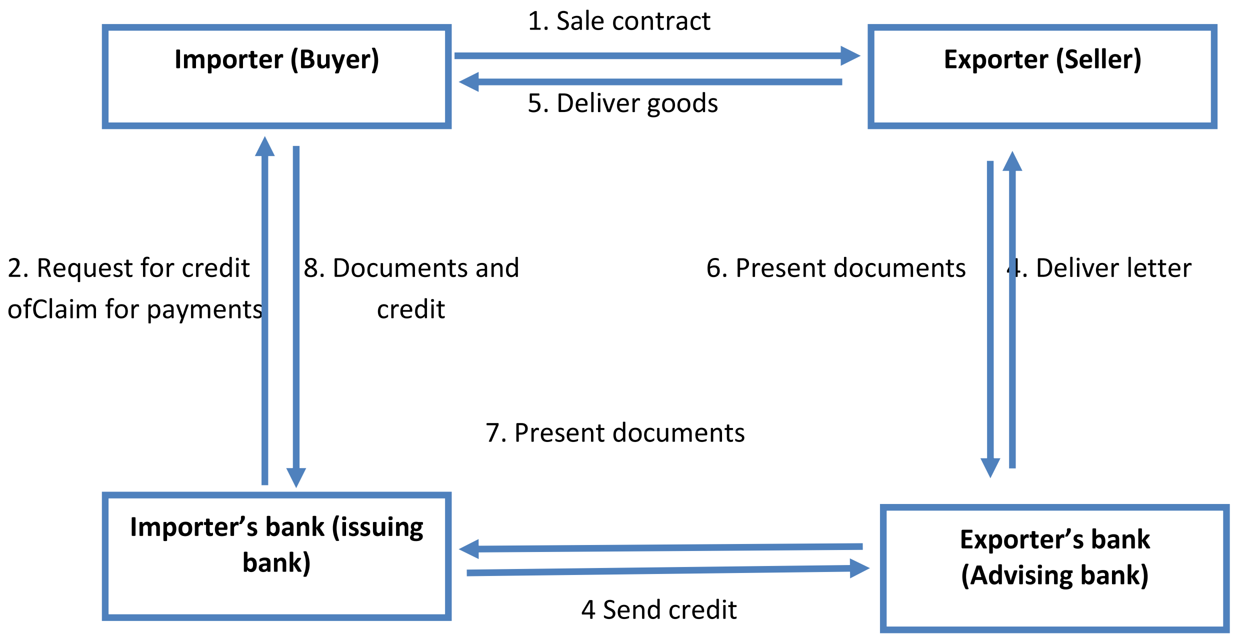

Fig. 3.4 Procedure of Letter of Credit

Parties Involved in Letter of Credit are as Follows

- Candidate of Letter of credit
- Beneficiary party
- LC issuing bank
- Negotiating bank
- Advising bank
- Confirming bank
- Second beneficiary
- Reimbursing bank

Types of Letter of Credit

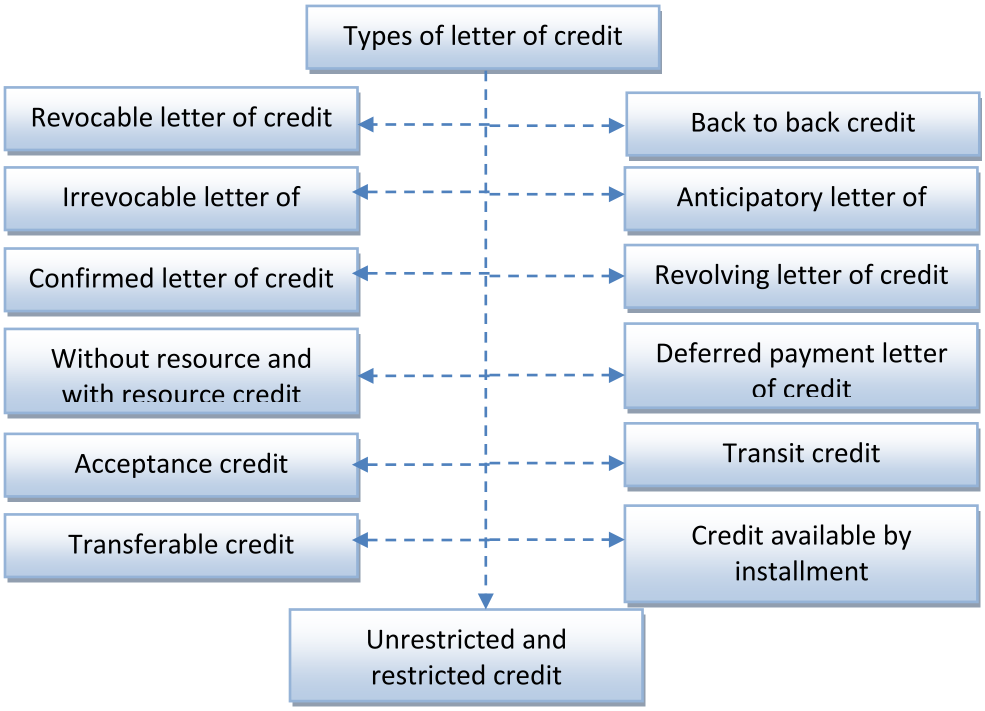

Fig. 3.5 Different Types of Letter of Credit

3.2. Export Documentation

Types of Documents

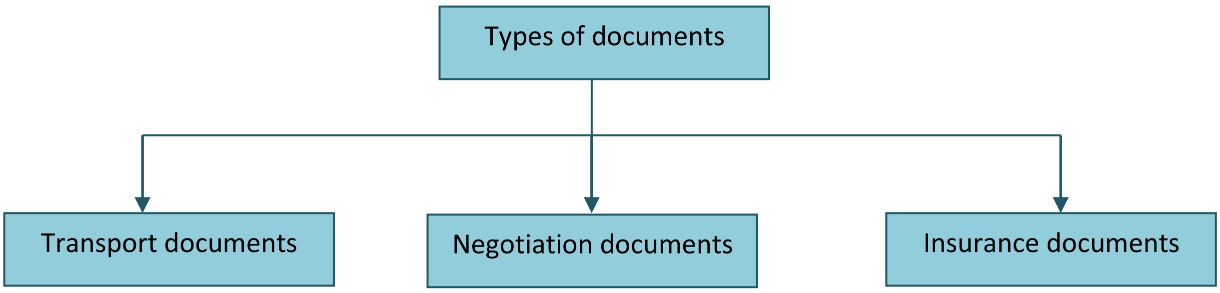

Fig. 3.6 Different Types of Documents

Transport Documents

A type of bill that utters the condition of carriage and it is employed for the payment proof of delivery of goods. This transport document is neither a negotiable/transferable document nor a title document. The document contains a list of information that is very much needed for packaging of products and transporting it. The list such as shipper list details, consignee details, buyer, flight/vessel date, discharge of airport/port, loading of port/airport, country of origin, marks/container shipping number, delivery place, volume/weight of merchandise, and the entire details about goods with the inclusion of packing information.

Negotiation Documents

Once after the shipping is made, the exporter should negotiate the applicable documents to the bank to obtain payment.

Insurance Documents

It is necessary for the exporter to insure the goods before shipping the goods. There are three kinds of insurance documents.

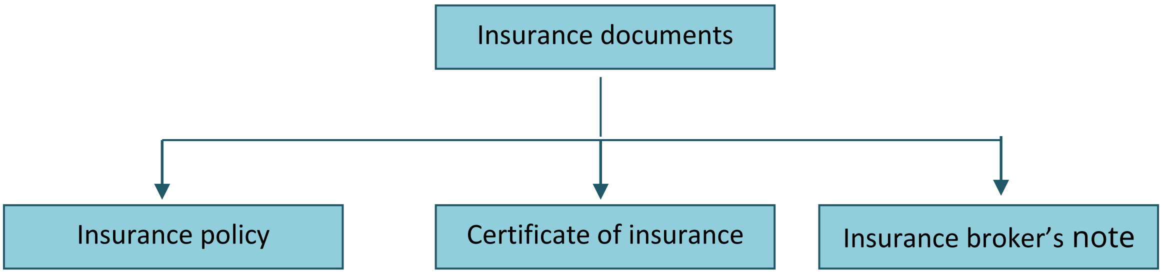

Fig. 3.7 Different Types of Insurance Documents

Insurance Policy

The policy establishes the terms and conditions in the contract between insured and insurer.

Certificate of Insurance

It is a proof of insurance and does not establish the condition and terms of contract.

Insurance Broker's Note

It specifies to broken that the insurance is in pending and perhaps it is not a proof of insurance contract.

3.3 Processing of an Export Order

In fact, the exercise of export order will be done successfully only if the consignment reaches the importer and gets payment for the delivered goods which is as per the export contract. The truth is there is no necessity that one has always to informed about his/her products, market, export company, suppliers, world market, and export chain, but one has to know the rules and terms of export, the target of different cultures, and the needs of final customer. Then the needs are fulfilled in the most competitive way and accumulating value to services. This is why the same products are sold by all with minor changes but the difference between one product to other is that, the value added services and the method one offers to the potential customers. To put simpler, establishing an export company is very easy but making it as long lasting and successful export company is a very complex task. Hence it is important to know the steps involved in processing of an export order. The steps are as follows

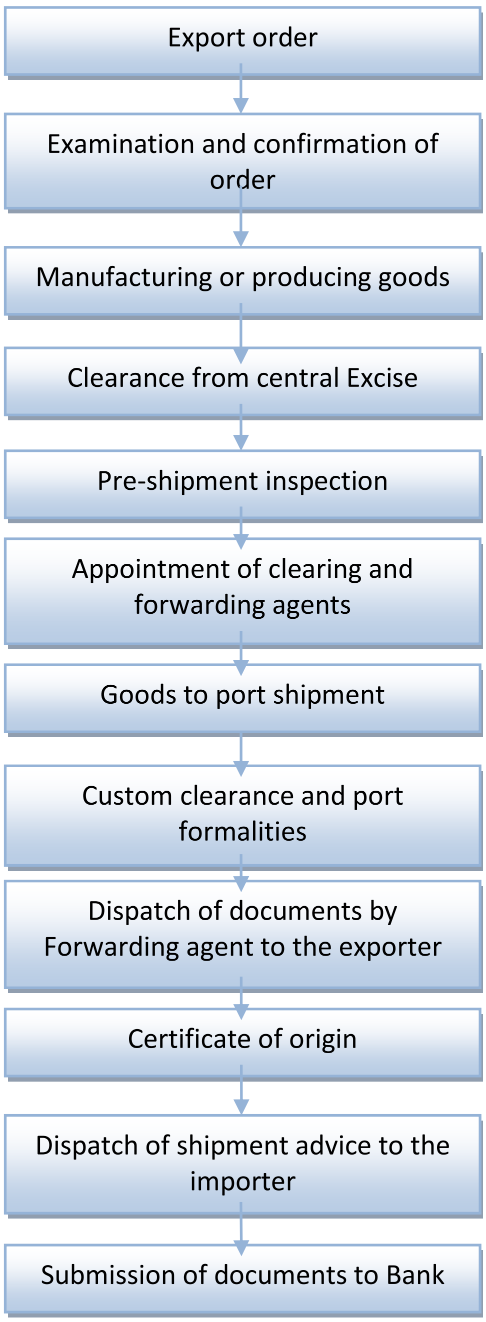

Fig. 3.8 Steps for Processing an Export Order

1. **Step 1 Export Order**
   The processing of export order starts with export order receipt. An export order is meant as a agreement in the structure of a document that happens between the importer and exporter by the time the exporter truly starts procuring or producing goods for shipment. Usually, an export order will be in the form of letter of credit or proforma invoice or purchase order.
2. **Step 2 Examination and Confirmation of Order**
   Once after getting the export order, it is mandatory for the exporter to assess the order with regard to the contract's terms and conditions. Therefore, the assessment of an export order consists of items like terms of payment, insurance and inspection requirement, product

description, final date for negotiating the documents with bank, terms of shipment, and documents realizing payment.

3. **Step 3 Manufacturing or Producing Goods**
   For purchasing and processing raw materials, and changing it into finished foods, the RBI stretches the pre-shipment credit to the exporter to get funds for working capital needs under export credit scheme to fulfill the aim of exports. The exporter starts to procure or manufacture the goods and packs it for shipment overseas once after getting the credit.
4. **Step 4 Clearance from Central Excise**
   The process for attaining authorization from central excise duty begins once after completing the process of manufacturing. The Sales and Central Excise Act of India and the associated rules offer the reimbursement of excise duty paid. To attain excise clearance, the exporter has to apply on a application termed to be AR4 or AR4A to the superintendent of Central Excise Range.
5. **Step 5 Pre-shipment Inspection**
   Numerous goods are on the line whose export entails a quality certification as per the notification of Government of India. Prior to the shipment of goods, it is mandatory for the custom authorities of India to submit the inspection certificate provided by the designated authority and competent.
6. **Step 6 Appointment of Clearing and Forwarding Agents**
   On behalf of the exporter, the exporter nominates clearing and forwarding agents to perform more function once after receiving the Certificate of Inspection from custom agencies.
7. **Step 7 Goods to Port Shipment**
   Once after finishing the pre-shipment inspection and excise clearance formalities, the goods which are to be sent overseas are packed, marked, and labeled. Perfect packing, marking, and labeling will helps in fast and safe transmission of goods.
8. **Step 8 Custom Clearance and Port Formalities**
   In this stage, the clearing and forwarding agent will take the responsibility in picking up the cargo from road transport or railway station and hoards it in warehouse once after getting the documents from export department.
9. **Step 9 Dispatch of Documents by Forwarding Agent to the Exporter**
   Once after the shipping company provides Bill of Lading, the documents such as clean on-board Bill of Lading, AR4/AR4A, duplicate GR form, commercial invoice, Gate pass, Export Promotion Copy, Letter of Credit, and Drawback copy has to be dispatched by clearing and forwarding agent to the exporter.
10. **Step 10 Certificate of Origin**
    Based upon the receipt of above-mentioned documents, the exporter is eligible to apply to Chamber of Commerce to attain a Certificate of Origin. It is necessary for the exporter to obtain GSP Certificate of Origin from Export Inspection Agency provided if the countries have GSP concessions where goods are to be exported.
11. **Step 11 Dispatch of Shipment Advice to the Importer**
    Finally, shipment advice will be sent by the exporter to the importer to intimate the shipment date of consignment and projected arrival time at the importer’s destination port. Following documents should be sent for the delivery of consignment

- Commercial Invoice
- Custom Invoice
- Bill of Lading
- Packing list

12. **Step 12 Submission of Documents to the Bank**

    At the last stage of the process, the exporter submits the succeeding documents to the bank to get the realization amount due to his importer

    - Packing list
    - Commercial Invoice
    - GR form
    - Bank certification
    - Bill of Lading
    - Marine Insurance Policy
    - Letter of Credit
    - Bill of exchange

    The exporter incentives which are admissible to him/her are claimed by the exporter once after finishing the export order processing at three stages of shipment i.e. preshipment, shipment, and post shipment.

To Do Activity
Visit any business organization of your choice and interview the personnel to analyze how the export order is processed and the steps involved in processing it.

3.4. World Shipping Structure

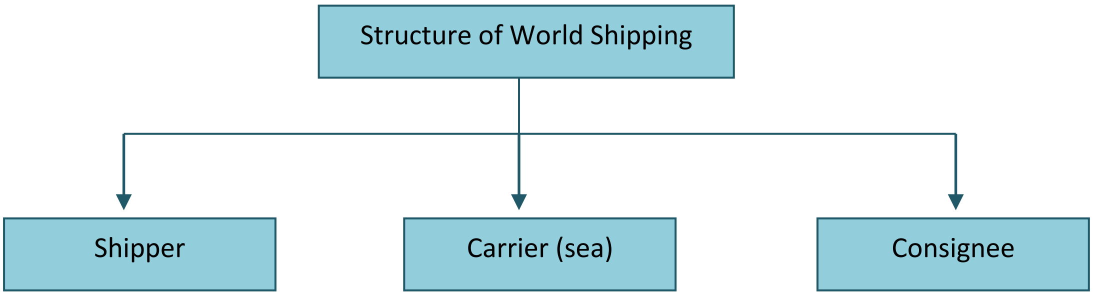

Fig. 3.9 Structure of World Shipping

Organizations and Personnel

The most significant components of shipping industry can be classified into three divisions

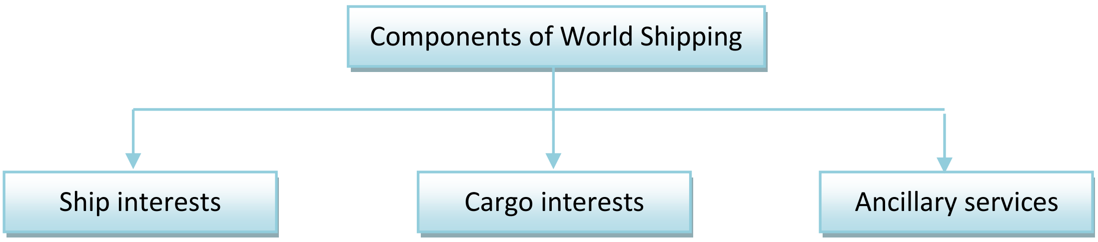

Fig. 3.10 Components of World Shipping

Structure

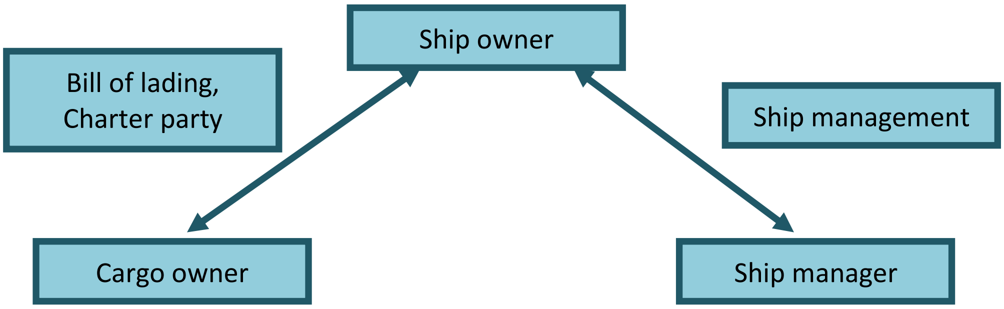

Fig. 3.11 Relationship between Cargo Owner, Ship Owner, and Ship Manager

Ship Interests

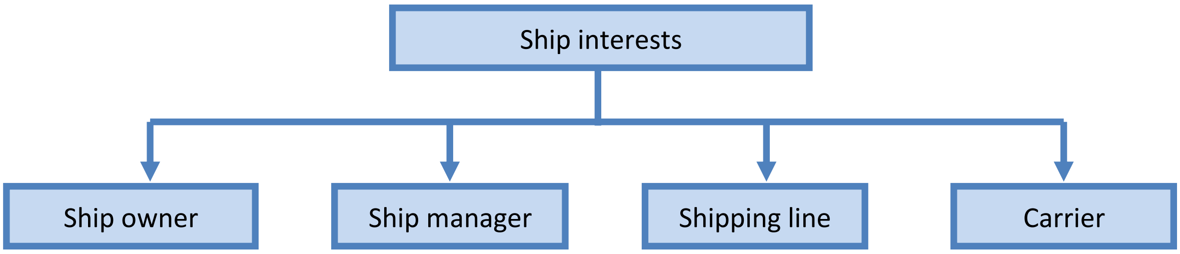

Fig. 3.12 Classification of Ship Interests Component

Shipping Line

Shipping line is a firm that operates ship/ships between advertised ports in a continuum basis and provides space for goods which in turn receives freight based upon tariff rates.

Carrier

The charterer or ship owner or any person who ties a contract with shipper for the transmission of merchandise is termed to be as carrier.

Cargo Interests

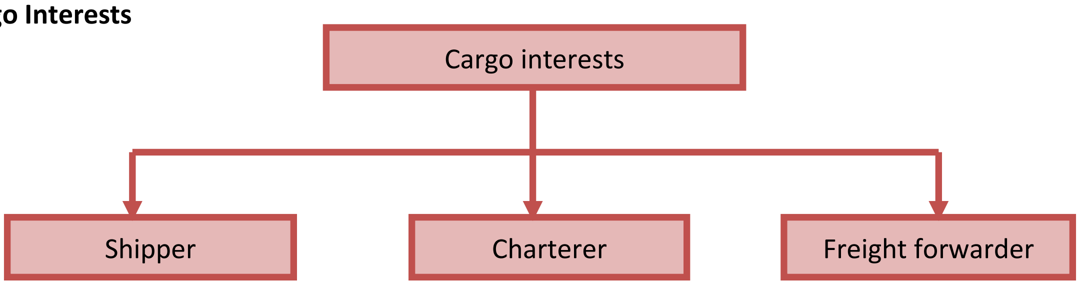

Fig. 3.13 Classification of Cargo Interests Component

Shipper

A shipper is a company or person who ties a contract with liner conference, ship owner or shipping line for the transmission of goods. The shipper can be cargo buyer or seller or any third party that exclusively arranges transportation for cargo.

Charterer

To carry the cargo, an organization or person that contracts to obtain a vessel for a specific tie period or for a voyage.

Freight Forwarder

A freight forwarder takes responsibilities for many functions of traditional carrier/ship owner and still regains interest in cargo.

> **To Do Activity**
> Visit any shipping industry and analyze its structure for exporting goods to different countries.

Shipping Industry Structure with its Related Markets

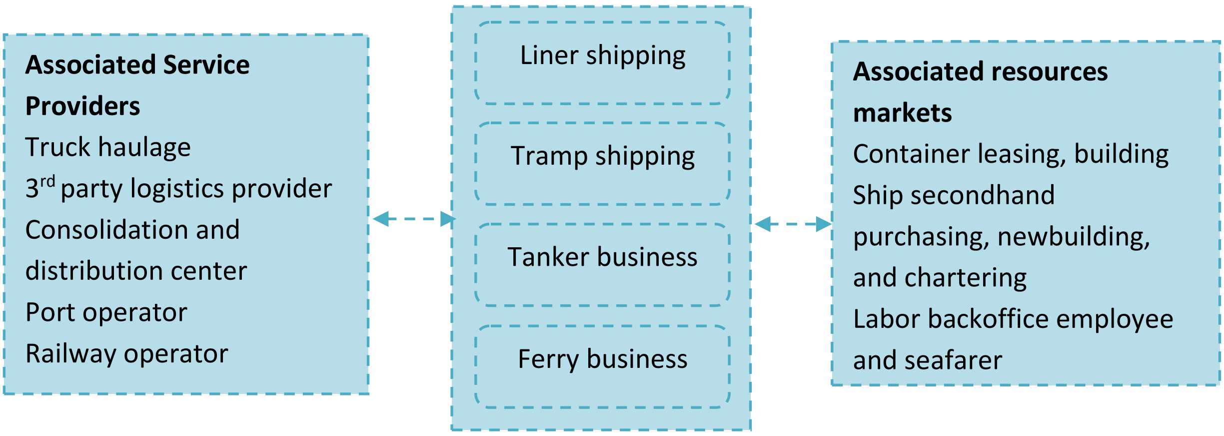

Fig. 3.14 Ship Industry Structure with its Related Markets

Liner and Tramp Shipping Services

The bulk cargo entails shipping services where a large quantity of one kind of cargo is carried at low cost. Hence those services that are provided by carriers are termed to be Tramps. To be noted, there are various kinds of tramp ships to transmit various types of bulk cargo.

Other side, carriers that provide scheduled and regular shipping services to transmit heterogeneous cargo matching the General cargo's marketing requirements is termed to be Liners. The ship called Liner ship is constructed and run to gratify the transport demand of different types of cargos.

Liner Shipping Service

- Liner ship is made to transmit different kinds of cargo, with some spaces for drums, bales, barrels, bundles, and boxes etc. and also for refrigerated cargo. The number of cargo's decks and holds designs will be varied when compared with tramp. As the share of containerized cargo is augmented, the container ships are specially designed to transmit varied type of containers.

- The cargo managing equipment which is placed on a liner is made different and also unloading and loading of cargo is made sophisticated to assure a quick turnaround. The ship that spends most time in transit and spends least time in port is meant to be as quick turnaround.
- Liner ships normally tend to load in numerous ports and regularly operate between fixed ports. It helps many discharging ports down a predetermined route.
- Liner ship is designed with costly and sophisticated propelling machinery to assure faster carriage.
- The announcement of scheduled services is made prior by liner ships on the given conditions and terms of carriage. These conditions which were mentioned in the receipt were mostly connected to the liabilities and responsibilities of the ship owners, delivery of cargo, and carriage.
- Liner shipping usually provides carriage on a stable freight and fixed rates.

Tramp Shipping Service

- Tramp carrier is initially designed to transmit homogeneous and simpler cargo in large quantity. Hence it is made to utilize its transmitting capacity for transmit one kind of cargo.
- A tramp is said to have comparatively simple equipment since it has to handle one type of homogeneous cargo. Bulk cargos are usually encumbered and released by mechanical equipment, pumps, elevators etc.
- As the tramp carries low of commodities, it is operated at a lowest cost. This purpose is attained by operating ships that has comparatively less speed by affixing lowest cost propelling machinery.
- A tramp regularly transmits cargoes of two ship users. Therefore, the encumbering and releasing are detained to lesser ports.
- There is no predetermined departure schedule and fixed route for tramp carriers as it is engrossed by one or two users and they use it whenever need arises for them.
- Tramp carrier provides services with certain terms and conditions, with the inclusion of freight/hire charges that are not affixed and offered but are negotiable.

Conference System Freight

The shipping services of liners are provided by both liners that operate independently as well as ed. Those liners which are in the first category are the members of conference. Those shipping firms which forms an association that accepts and frame the passenger fares and freight rates over various shipping routes is termed as shipping conferences. For different province of the world, there are various shipping conferences. Apart from framing rates, shipping conferences espouse a broader range of policies such as open pricing contracts, loyalty contracts, and allocation of customers etc.
UKCalcutta conference was the first shipping conference established in the year 1875 which is called with different names such as ocean shipping conferences, liner conferences, and shipping conferences. In the current year, these agreements are replaced and supplemented by other type of agreements namely alliances and consortia. The conference shipping characteristics are as follows

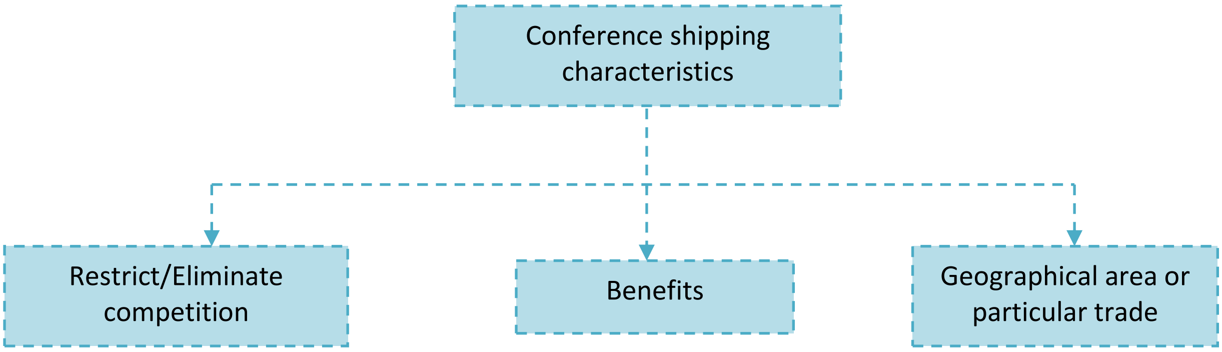

Fig. 3.15 Characteristics of Conference Shipping

Restrict/Eliminate Competition

They are structured to eliminate/restrict competition in trade, ports of call, and rationalizing and regulating sailing schedules. They work on the source of written agreements defining member's rights and obligations. The conference expects the members to track the rules of it under agreement. The agreement mentions about penalty if any member violates the rules of the conference. Penalty will be as greater as the fine amount deposited by member.

Benefits

The primary objective is to maximize profits and minimize losses by skirmishing competition between ship owners. There exists a rate of agreement with regard to the railings among the liner ships. The schedules of sailing are synchronized.

Geographical Area or Particular Trade

The practice of conference is tracked by shipping lines engrossed in a specific trade or works in a particular geographical area. The competition is encountered from additional shipping lines when it goes for agreement with other conferences working on alternative routes so that each conference will operate in one route.

Competition between the conference members is synchronized by

- Pooling arrangements
- Rate agreements
- Performance bonds or good faith
- Control of sailing schedules

These conferences fight back the competition arises from outsiders specialized in shipping including shippers and shipping lines from many ways. The competition can be encountered from supplemented shipping lines through

- Conference membership is extended for those growing outside lines.
- By making agreement with different conferences working on alternative routes makes each conference to work in one route.

Competition rising from shippers is rounded via 3 important devices for protecting cargo support from other shippers. The devices are

- Commission arrangements or deferred rebate
- Cash rebate agreements is made immediate

- Dual rate agreements

International Agreement on Sea Transport

In order to arrive at the agreements on sustainable sea transport, Government is working meticulously with other countries and maritime sector. The main objective is to mitigate the pollution affected by seagoing vessels and utilize the ports and sea in a sustainable manner. The government policy highly depends upon the agreements with European Union and International Maritime Transport (IMO).

Detrimental Effects of Shipping Emission sections to Combat with It

Exhausted fumes emitted from ship engines can cause air pollution in localized areas because of the emission of particular matter, nitrogen oxides, and Sulphur oxides. The contribution is made to global warming due to the emission of CO_2. Global agreements are made to fight with these hazardous environmental effects.

- All new ships will be designed in such a way that, it should be 30% more energy efficient when compared with today from 2025.
- The ships should record and report widespread information about its fuel consumption.
- IMO who is a specialized agency of ed Nations designs a plan to mitigate CO_2.
- From 2021, all new ships in the Northern sea should discharge less than 70% of nitrogen oxide when compared with 2016.
- Since 2015, the Sulphur content in the fuel was 0.1% but it has given a relaxation up to 0.5% from 2020.

Preventing Waste Discharges

It is not assured that ship will discharge its waste at sea. Ships are granted permission to emit its waste and pay fee for waste treatment at European Ports.

Fighting for the Increase of Exotic Organisms in Ballast Water

These ships are the one which are remained ideal at sea when it is not fully loaded. The International agreement of Ballast water states that ships should inbuilt the system of ballast water treatment in order to purify the exotic organisms in Ballast water. By doing this treatment, the exotic organism entering into water can be prevented where they don't occur naturally.

Safe and Clean Disposal of Ships

The ships should glide under the pennant of European country which was mentioned in European Union Regulation on Ship Recycling. This obligation will come into force in the upcoming years. Those companies which have stringent working and environmental conditions requirements of recycling are allowed to dispose these ships. If the conditions are harmful to the environment and people, the requirements will protect the firms from disposing of these ships.

Concept of Dry Port

Dry port is an Inland terminal where shipping organizations provide their own bill of lading for importing cargoes. They also assume that they are responsible for cost and conditions and provide bills of lading for exporting cargoes.

Location of Dry Port

- Inland from sea port Dry port is an inland terminal with a gateway port within the country
- In Hinterland Dry ports are located adjacent to landlocked countries in Hinterland which has one or more than one sea ports.

Dry port Prerequisites

- Clearing and forwarding agents' offices
- Clearance facility and customs control
- Operators' offices either the contractors or site owner
- Container managing equipments
- Holding composite with security cordon
- Common user facility is available to all shippers
- During customs inspection, temporary storage is available for warehousing
- Provisions for suppression of goods

Additional Facilities of Dry Port

- Shipping line agents' office
- Office for railway goods
- Office for road haulers
- Consignment consolidation services
- Cargo packers' services
- Cargo tracking services which is computerized
- Container clearing services
- Facilities for container repair
- Fumigation and cleaning services
- Weight bridges
- Refer refrigeration points
- Bonded warehouse
- LCL cargo clearance
- FCL cargo clearance

Containerization

Containerization is defined as a way of distributing commodities in a unique form and allowing an intermodal transport method to be emerged offering a probable mixture of maritime transport, rail, canal, and road transport. The system was established so many years back and it was about to turn century in a less sophisticated form. This system initially came into picture in the coastal of North America in the year 1930, when vessels are known as van vessels.

The berths of the container are constructed for restricted container use or for multipurpose where the container and other kind of cargo vessels are handled one at the same. Modern container will manage double stack trains and it is operated by computer. There are three ways for container handling such as

- Quay portioner crane functioning in connection with van carriers

- Quay portioner crane functioning in connection with trailer/tractor operation
- Quay portioner crane functioning in concurrence with container stacking cranes and trailer/tractor operation.

Types of Containers

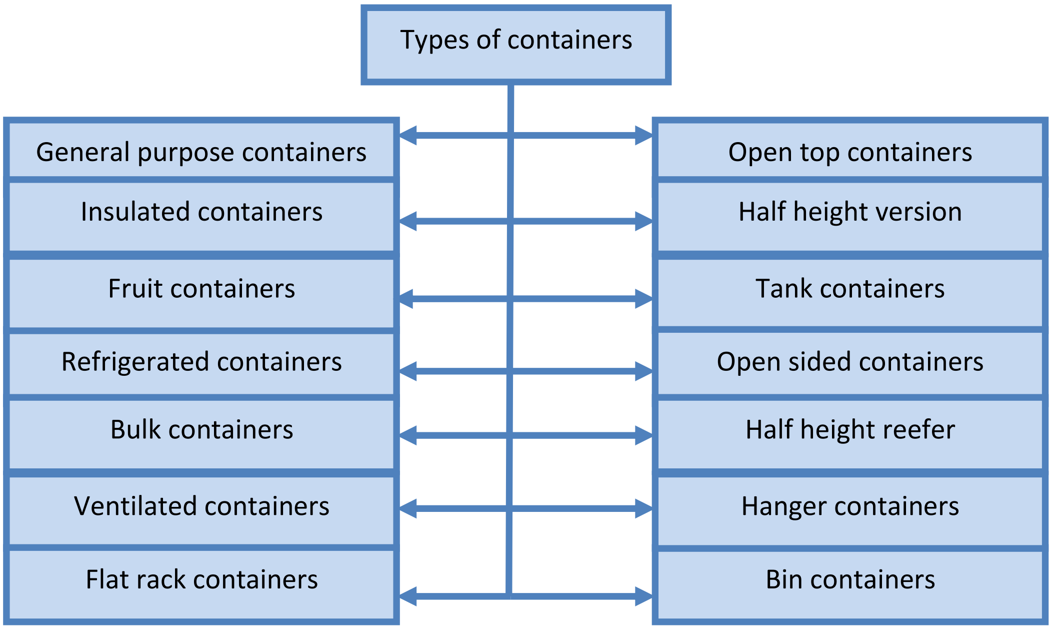

Fig. 3.16 Different Types of Containers

General Purpose Containers

This kind of container are closed ended and are appropriate for the cart of all kinds of general cargo and also with the appropriate temporary alteration for the cart of bulk cargoes liquid and solid cargo. Basically, containers are steel framework coated with steel, aluminum alloy utilized for padding or plastic reinforced by glass. The floor will either be plywood sheeted or hardwood timber planked. Unloading and loading of goods can be made through full width doors. In the bottom of the side wall, lashing points/cargo securing is located.

Insulated Containers

Prevent towards head gain or loss and are utilized in conjunction with the system of blown air refrigeration to transmit other cargo or perishable goods which has to be transported under temperature control.

Fruit Containers

Same like insulated container but the internal dimensions will be somewhat longer.

Refrigerated Containers

Refrigerated containers are fixed with their own s of refrigeration and for the electric supply, it necessitates for electric supply.

Bulk Containers This container is designed especially for carrying gramlar substances and dry powders in bulk. Three circular hatches with diameter of 500 mm are fixed in the form of roof structure in some containers in order to assist top loading.

Ventilated containers

This container is made with steel and has large ventilation in the bottom and top of rails, enabling passive ventilation for cargo. The Ingress of water will be prevented.

Flat Rack Containers

It is ultimate for uncontainable cargo.

Open Top Containers

The height of cargo is more than a height of general standard purpose container. For this type of cargo, top loading is suitable.

Half height Version

This version is from the open top container which is designed especially for transporting dense, heavy, and cargoes such as tubes and pipes, steel etc.

Tank Containers

It is built with the cart of range of products or particular product mid.

Open Sided Containers

This container accommodates particular commodities such as livestock, plywood, and perishable commodities.

High Cube Reefer

Containers will be 30m high, 12.2m long, and 2.4m wide.

Hanger Containers

This container is utilized for dry cargo and prepared with removable beams in the top part. They are employed for the transmission of garments on hangers.

Bin Containers

It is perfect for heavy dense cargoes namely pipes and steel and they don't have doors.
The operational life of container on an average is 12 years.

Advantages of Containerization

- More dependable transits
- Through rate provision
- Evolving of new markets
- Through documentation provision
- Allowed fleet rationalization
- Total quality service on the whole.
- Cargo arrives in sound condition
- Less packing requirements for containerized shipments
- Motivating trade enlargement through enhanced service standards.
- Container vessels are more productive and obtains improved utilization

Disadvantages

- In particular countries, the restrictions regarding internal movement, specifically 40-footer exists.
- The company which owes a container has a difficult task of observing and assuring full use of such equipment.

3.5. International Agreements on Air Transport

Air freighting is globally employed with lots of global businesses starting to use air freight services in order to transmit their goods from one part of the country to other parts. The significance of getting goods as early as possible from one part of the country to other parts is well understood by all global businesses. Hence air freight services are one of the best services to transmit your goods as fast as possible. It is very expensive to transmit cargo through air craft that is why air craft in freight is less heard when compared with other freight services. Air freight is used when they want to transport high and light value goods and also if they want to transmit to long distance. Many varied kinds of cargo are transmitted through air freight services. Goods that are exported using air freight services are medical equipment, hazardous chemicals, livestock, food, machinery, medicines, and vehicles. The regular cargo which was transmitted through air freight services are highly expensive or would have a greater importance to reach their destination as soon as possible. Cargo planes which are highly advanced are designed specially to transmit particular type of cargo. It is significant to ensure that cargo which was transmitted stays undamaged and hence these cargo planes are now positioned in the right environment when being transported. As there are many airports around the world that is why it has become reliable to transmit goods to any parts of the world using air freight services. Air freight services are usually employed in case of emergencies when there is a need of help or to obtain medical supplies. The familiar reasons for employing air freight services are

The general reasons for utilizing air freight are

1. Shipping method is fast
2. Highly reliable and departure and arrival times
3. Cargos can be sent anywhere
4. Stumpy insurance premium is meant as large savings
5. Warehousing need is reduced and lesser items in stock
6. High extent of security and risk of theft is mitigated and damaged
7. Requirement of less packaging
8. Follow your cargo status

IATA is abbreviated as International Air Transport Association which is world’s trade organization for airlines began in 1945 to help the improvement of air freighting. IATA offers polled resources for traffic and routes, scheduling, designing of global public sector, and standardizing services for air carriers. IATA situates the standard for business practices and services internationally amongst member airlines. For example, IATA built three-digit codes globally for airlines. Additionally, IATA aims to attain the following compulsorily.

1. To promote economic, safe, and regular transport
2. To promote air commerce
3. To study problems linked with airline industry

4. To offer a way of collaboration between agencies and air transport companies
5. To collaborate with other organizations of International air transportation. Necessarily, IATA is airlines collaborating to enhance service and standardize internationally. As IATA deals with air transportation issues, it is essential to make sure that forwarder/carrier is an agent of IATA.

IATA's role

1. Standardization in making rate
2. Standardization in documentation
3. Other facilities and clearing house.

Freight Rate Structures

Air cargo tariff is meant to be the tariff comprising of rates, provisions or charges overriding the application of those charges or rates or the service condition, suitable to the planned cargo transportation in overseas air transportation. The rates wrap up transmission from loading in airport to discharging in airport. Airlines who are the members of IATA match with the Tariff rules provided by IATA. The rates of Air freight are negotiable to the higher level from 11th September 2002. Actual price is not meant to the tariff. The rates which was mentioned in Air way Bills is based on commodity basis, actual weights, and date of shipment.

Rates Covered in Air Cargo Tariff

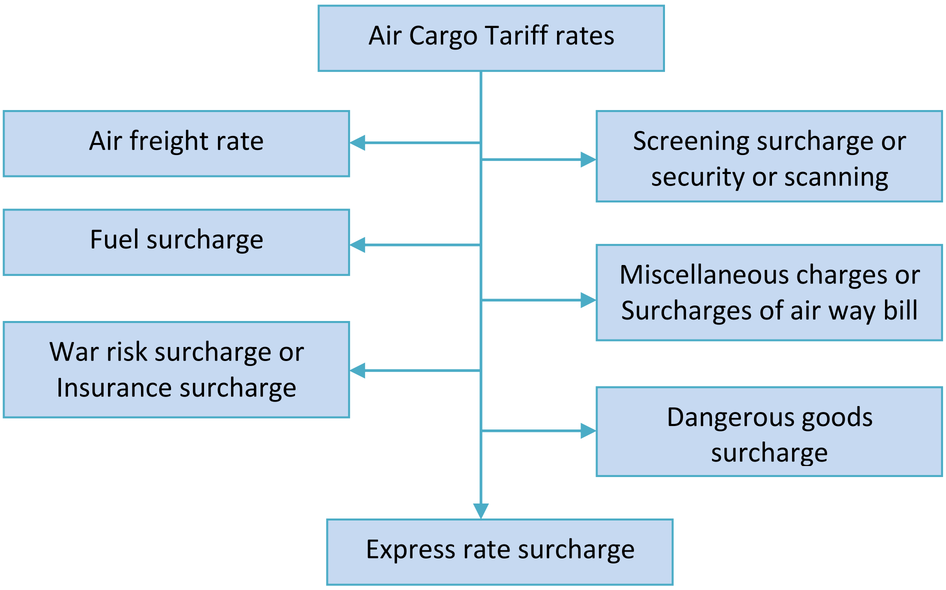

Fig. 3.17 Rates Covered under Air Cargo Tariff Rates

Charges that are not covered in Air Cargo Tariff are

1. Picking up goods from door/factory
2. Delivering goods to consignee's gate
3. Charges of terminal handling in both destination and origin airport
4. Demurrage charges or storage charges in both destination and origin airport

5. Clearance of customs in both the countries of destination and origin airport
6. Any payment to be made for duties and taxes
7. Maine insurance

Weight Criteria

Volume weight the weight is estimated based on each packet dimension. A equation will be applied to estimate volume weight.

Gross weight the shipper will declare the gross weight and Airline and Agent will verify it.

Chargeable weight the weight which is higher will be considered as chargeable weight as per IATA rule. In some of the cases it may be gross weight itself. Volume weight is considered as chargeable weight if it is greater than gross weight.

Volume Calculation Method

1. Measurement will be in centimeters
2. For example, Gauge the pallet/carton along the highest length, width, and height. Length (L) = 68cm, Width (W) = 42 cm, and height (H) = 22 cm.
3. Then calculate with the formulae i.e. length (L) X Width (W) X Height (H) > 68cm X 42 cm X 22 cm => 62832 cm^3.
4. Then 62832 cm^3 is divided by 6000 = 10.472. The result attained here is for 1 parcel/carton/pallet and also in Kilograms.
5. In order to obtain the total volume weight, multiply the answer in Kilograms with total number of pallets.

Weights Comparison

1. Check the Gross Weight stated by verified self or shipper
2. Now contrast the gross to volume weight. If the weight is greater by 0.250 gram, then that weight would be considered as Chargeable weight.

Chargeable Weight

1. In most of the cases, though the weight of volume is greater than gross weight, the next prevailing slab weight is considered as chargeable weight.
2. It is as per the rue of IATA whatever is lesser on rate and higher on weight. To measure the chargeable weight, it is estimated by 1 metric ton = 6 cubic meters.

Slab Rates

Based upon break points or slabs, freight rate is calculated.
Minimum rate for per shipment or to certain weight M
Below 45 Kgs or Normal weight N

- +45 Beyond 45 kilograms
- +100 – Beyond 100 kilograms
- +250 – Beyond 250 Kilogram
- +300 – Beyond 300 Kilogram
- +500 – Beyond 500 Kilogram

- +1000 – Beyond 1000 Kilogram
- +2000 – Beyond 2000 Kilogram
- +5000 – Beyond 5000 Kilogram

All the above-mentioned rates except minimum are for per kilogram

Classification of Rates

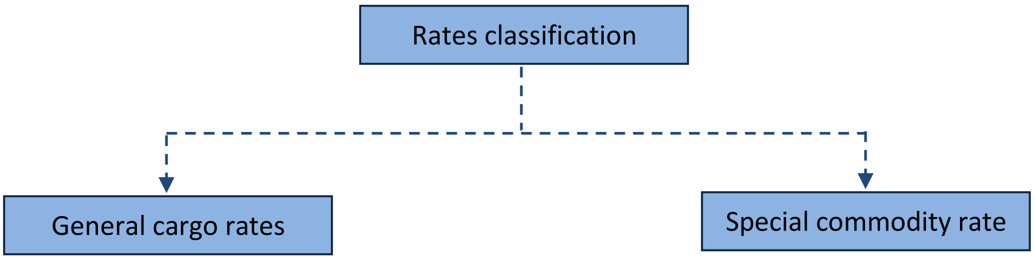

Fig. 3.18 Rates Classification

General Cargo Rates

For General commodity shipments, tariff will be provided. This is further classified into

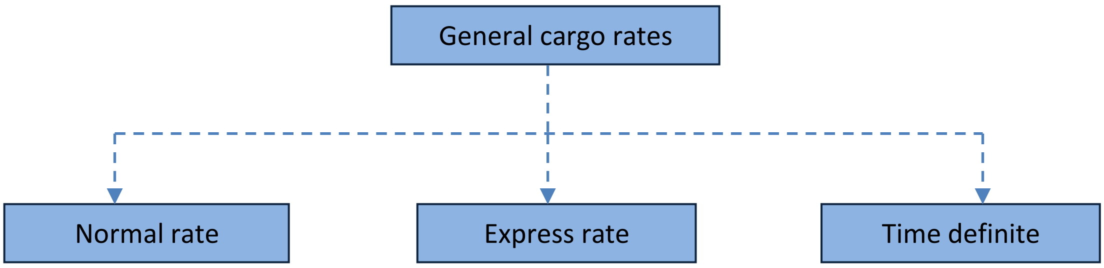

Fig. 3.19 Different Types of General Cargo Rates

Normal rate the airline is relaxed to take 20 days for shipment time beneath its rate class.
Express rate the goods will be transmitted within 48 hours and it is charged greater than the normal rate.

Time Definite Within a specific time period, the goods are delivered. It is costlier than express rate and it is charged more.

In the time definite and express rate, goods are agreed only in online destinations where it uses its own aircraft.

Special Commodity Rate

Airline provides special rates for particular commodities which are lesser than rate of general cargo. the rates are applicable only to specific goods with particular descriptions. Perhaps, many airlines have stopped offering special commodity rates except dangerous and perishable goods for which specific rates are filed. The rates of perishable and dangerous goods are provided only for online destinations.

Net Rates

If a rate is provided without a commission, then it termed to be as net rates.

AdHoc Rates or Spot Rates

The rates provided for specific flight or specific shipment is termed to be as AdHoc rates or Spot rates. To attain this deal, the customer should hold cargo which is ready to ship.

Allin Rate

The rates provided with an inclusion of surcharges is termed to be alliin rate. It is also provided for specific period or flight only.

ULD (Load Device) Rate

- ULDs are employed for storage of cargo in the aircraft. It is divided into containers and pallets.

- Based upon maximum weight of ULD, the rates are designed. For e.g. LD3 the weight chargeable is 700 Kgs.

3.6. Role of Clearing and Forwarding Agents

Clearing and forwarding agents serves as a connector between owner of mode of transport and owner of goods. These agents assist the cargo owners in the effective transmission of goods to the buyers by finishing some documentary and procedural formalities. Clearing and forwarding agents are knowledgeable and experts in regulation and laws concerning about the commercial practices and shipment of goods via custom authorities, particularly the one regarding transport. As they have a good rapport with different government officials, they are Up to Date with the improvements happening in the area of their activity.

Pertaining to this, the agents can embark on number of activities encompassing packing and labeling of goods, marking, organizing international transport, guiding exporters about price quotations and trade laws and also on the enhancements in the area of the carriage, drawback claims of file duty on behalf of exporters etc. Indeed, the agent is eligible to perform all the activities apart from selling of goods. Moreover, in case of any problems in movement of goods, the agent will act as a troubleshooter in resolving the issues.

Different activities of clearing and forwarding agent can be categorized in the subsequent groups

1. Guiding exporters about trade laws
2. Handling cost information and offering transport
3. Labeling, packing, and marking
4. Arranging transport
5. Finishing port and customs formalities
6. Arranging and procuring documents
7. Educating exporters on enhancements in transportation

Summary

As discussed in the previous, to export any goods from one country to other country, it is necessary to attain Import Export Code (IEC) number. The exporter has to complete the registration steps for obtaining IEC number. Whenever goods are exported to other countries, the exporter has to prepare a contract which consists of name and address of the parties product name and quantity total value of the contract terms of delivery taxes, duties, and charges deliver period and shipment transshipment, part shipment, consolidation of cargo packaging, labeling, marking discounts and commissions licenses and permits insurance documentary requirements product guarantee delay in delivery excuse for nonperformance of contract or force majeure remedial action applicable law arbitration signature of the parties terms of payment, mode and currency and amount. The rights and obligations are framed by Incoterms for both seller and buyer and also for each of the terms they use. Henceforth, each party can make out what they supposed to do and what they can expect from the opponent party. Terms of payment are dogged by a set of factors namely trade practices, exchange control regulations, bargaining strength of buying and selling, and buyer's financial position. A letter of credit makes the bank to make payment to the exporter based upon the accepted conditions of the credit by exporter. This kind of payment is agreed internationally and the effective way of settling the trade payments. The export documentation is prepared by the exporter which has various types such as transport documents, negotiation documents, and insurance documents. Once after the preparation of export contract and export documentation, the export order should be processed which possess many steps to process it. The transmission of products can be done through many ways such as air transport, export products through ships etc. The shipping services such as liner, tramp, and conference freight shipping services. Goods are exported even through air transport by making an international agreement with foreign buyers. Good relationship between owner of mode of transport and owner of goods is highly important in exporting goods. The clearing and forwarding agents will help to strengthen the relationship between owner of goods and transport by guiding exporters in a correct way.

Review Questions

1. Discuss elements of export contract and in detail.
2. Elaborate EXIM code number in detail.
3. What is Incoterm? Discuss types of Incoterms in detail.
4. What are the methods of payment? Explain in detail.
5. Define letter of credit. Discuss its procedure and types in brief.
6. Write short notes on types of documents.
7. Explain in detail the different steps involved in processing of an export order
8. Briefly explain the world shipping structure
9. Write short notes on Liner shipping services.
10. Write short notes on tramp shipping services.
11. Discuss the characteristics of conference shipping in detail.
12. Define dry port. Discuss its prerequisites and facilities in detail.
13. Define containerization. List down the pros and cons of containerization.
14. Enumerate on type of containers.
15. Discuss the international set up of air transport in brief.
16. What is the freight rate structure of air transport and give a detailed description of each element in freight rate structure?
17. Discuss the role of clearing and forwarding agents in detail.

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Chapter 4 Sources of Finance

Learning Objectives

After reading this, you should be able to

- State the meaning, nature and importance of business finance
- Role of commercial Banks
- Evaluate merits and limitations of Commercial Banks
- Role of Exim Bank and Insurance schemes for Exports
- Types of Insurance for Exports and
- Examine the Export Credit Insurance.

Structure

4.1 Introduction to the Sources of Finance and Role of Commercial Banks

4.2 EXIM Bank, ECGC and other FI's

4.3 EPS, Insurance Schemes for Exports

4.4 Types of Export Insurance

4.5 Export Credit Insurance

4.1 Sources of Finance and Role of Commercial Banks

This postulates an indication of the several sources from where funds can be obtained for beginning as also for running a business. It also talks about the merits and limitations of various sources and points out the factors that control the choice of appropriate source of finance. It is significant for any person who needs to start a business to see about the numerous sources from where finance can be raised. Moreover, it is important to know the whole merits and demerits of various sources so that choice of a suitable source can be finished.

Meaning, Nature and Significance of Business Finance

Business is anxious about the generation and dissemination of products and services for the fulfillment of necessities of society. For completing different exercises, business needs cash. Fund is known as the existence blood of any business. The requirement of assets by business to complete its different exercises is called business finance. A business can't work except if sufficient assets are made accessible to it. The underlying capital added by the business visionary isn't constantly adequate to deal with every single budgetary requirement of the business. A specialist, along these lines, needs to search for various different sources from where the requirement for assets can be met. A reasonable assessment of the budgetary needs and the acknowledgment of numerous sources of fund, in this manner, is a critical piece of maintaining a business association.

The requirement for assets emerges from the phase when a business person settles on a choice to begin a business. A few assets are required quickly state for the buy of plant and hardware, furniture, and other settled resources. Also, a few assets are required for everyday activities, state to buy crude materials, pay compensations to representatives, and so forth. Moreover, when the business grows, it needs reserves. The financial needs of a business are categorized as follows

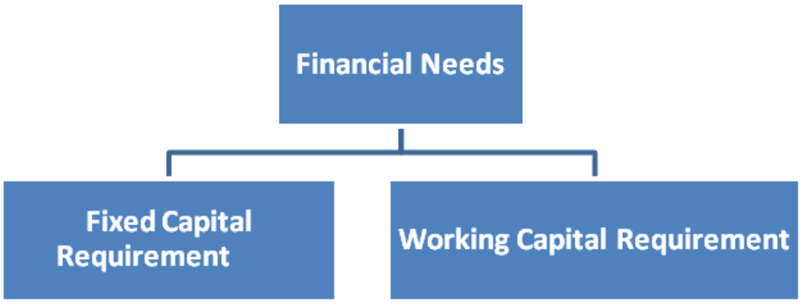

Figure 4.1 Financial Needs

(a) Fixed Capital Requirements In direction to start business, finance is needed to purchase fixed assets like land and building, plant and machinery, and furniture and fixtures. This is identified as fixed capital requirements of the organization. The finances needed in fixed assets remain capitalized in the business for a longer period of time. Different businesses need changeable amount of fixed capital depending on several factors i.e., the nature of business, etc.

(b) Working Capital Requirements, the financial necessities of a company do not end with the purchase of fixed assets. No matter how big or small a company is, it requires funds for its day to day operations. This is well known as the working capital of a company, which is used to hold current assets such as stock of materials, invoices to be received and to meet present expenses such as wages, salaries, taxes and rent. The amount of working capital varies from one company to another depending on numerous factors.

Classification of Sources of Funds

The proprietary and partnership distresses, the funds may be raised either from personal sources or borrowings from banks, friends etc. In case of company form of an organization, the different sources of business finance which are available may be categorized as given in figure, the sources of funds can be classified using altered basis viz., on the basis of the period, source of generation and the ownership. A brief clarification of these classifications and the sources is provided as follows

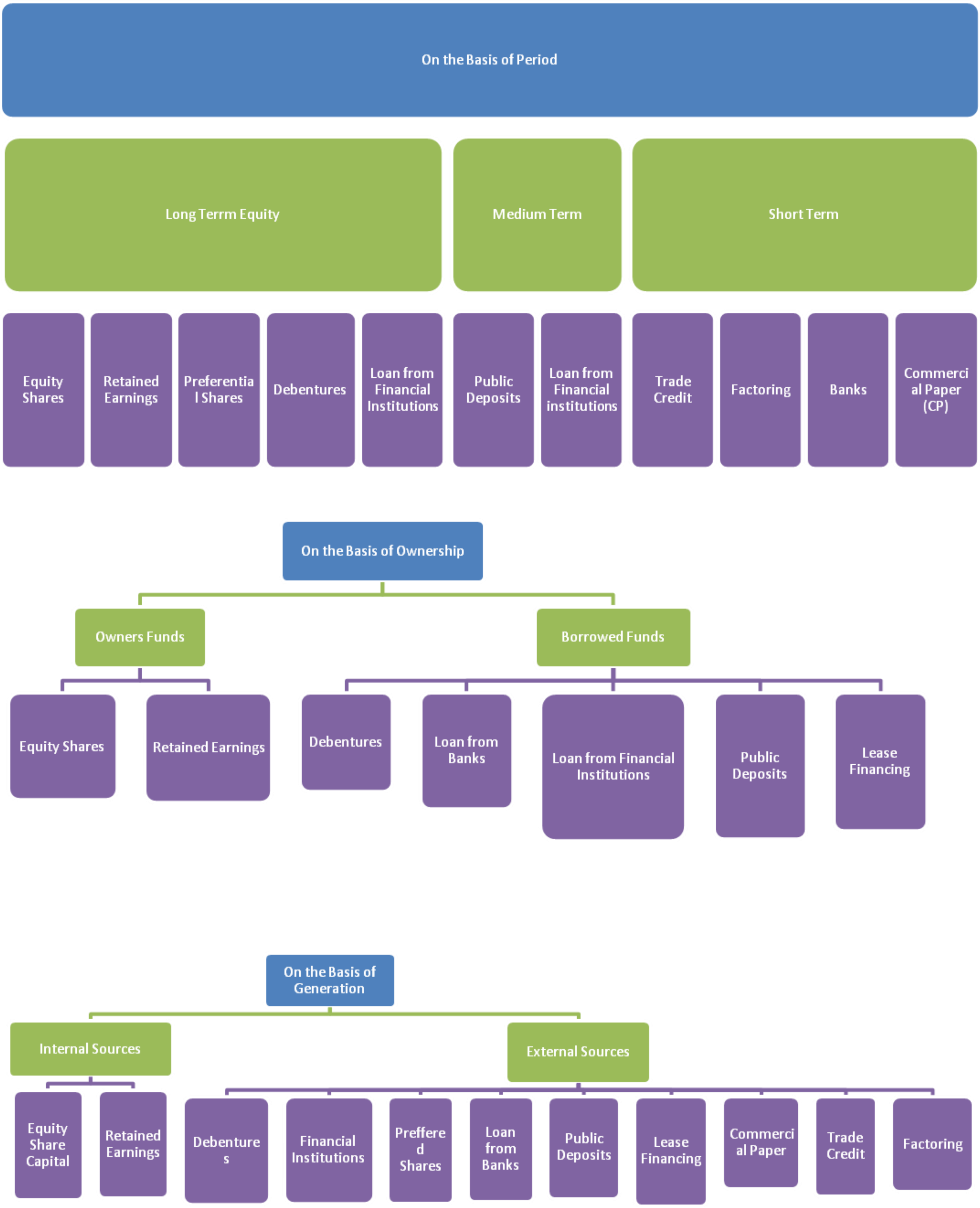

Fig 4.2 Sources of Funds

Commercial Banks

A commercial bank is a business association that deals with money it borrows and lends money. In this borrowing and lending of money, you get benefits. The difference between a lender and a commercial bank can be noted. Considering that the lender lends money only to others and even from his own sources. A commercial bank takes care of the business of loans and loans. A commercial bank increases its resources through public loans in the form of deposits and lends them to entrepreneurs. The interest rate of the loan is higher than what is paid to depositors. It is because of this difference in loans and interest rates on loans that you are able to make a profit. Now, a curious student will ask how the bank was born and evolved. The bank owes its origin to the activities of goldsmiths in England. In the seventeenth century, goldsmiths in England had strong safe safes where precious goods like gold, silver and diamonds could be safely stored. Therefore, the wealthy of England at that time used to store their precious things like gold and silver with goldsmiths and obtain receipts for their gold and silver deposits. At a later stage it turned out that these deposits with goldsmiths could serve as money, that is, as a means of exchange. The person who had the gold and silver deposits with a goldsmith could pay his debt simply by supporting the receipt of the deposit in favor of the person to whom he had to repay the loan. In this way, gold and silver were automatically transferred to another person even if they had remained in the custody of goldsmiths. It was soon discovered that it was not necessary to approve the entire deposit receipt in favor of the other person. With gold and silver deposits, a person could send a letter to his goldsmith to transfer a certain amount of gold or silver to another person. Obviously, this practice gave rise to the current payment system by checks. Another important development took place when goldsmiths realized that a good amount of gold deposited in them remained inactive all the time, since only their property changed with the transfer. From this they came to the conclusion that they could issue more depository receipts than real deposits in gold and silver to meet the financial needs of some people and began to charge them some interest.

Commercial banks play a vital position as they provide funds for different purposes as well as for different time periods. Banks extend loans to firms of all sizes and in many ways, like, cash credits, term loans, overdrafts, purchase/discounting of bills, and issue of letter of credit. The rate of interest imposed by banks depends on several factors such as the physical appearance of the firm and the levels of interest rates in the economy. The loan is reimbursed either in lump sum or in installments. Bank credit is not an everlasting source of funds. Though banks are in progress in spreading loans for longer periods, generally such loans are used for medium to short periods. The borrower is essential to provide some security or create a charge on the assets of the firm before a loan is authorized by a commercial bank. An important part of this remarkable record of financial development in India is attributable to the vital role played by banks in the financial intermediation process. Financial sector in India comprises the banking system, financial institutions (which include term lending institutions, i.e. NABARD, IDBI, ICICI, IFCI, IRBI, EXIM Bank & NHB at the all India level and SFCs and SIDCs at the state level, besides investment institutions, i.e. UTI, GIC and LIC and other institutions including DICGC and ECGC), nonbanking financial arbitrators and the capital market.

Structure of Indian Commercial Banks

The crucial role performed by the banking system in the Indian financial sector and by allegation, in the overall financial intermediation process, thus supporting the real sector of the economy. The robust points of the financial system are its capability to mobilize savings, its massive geographical and functional reach and institutional assortment.

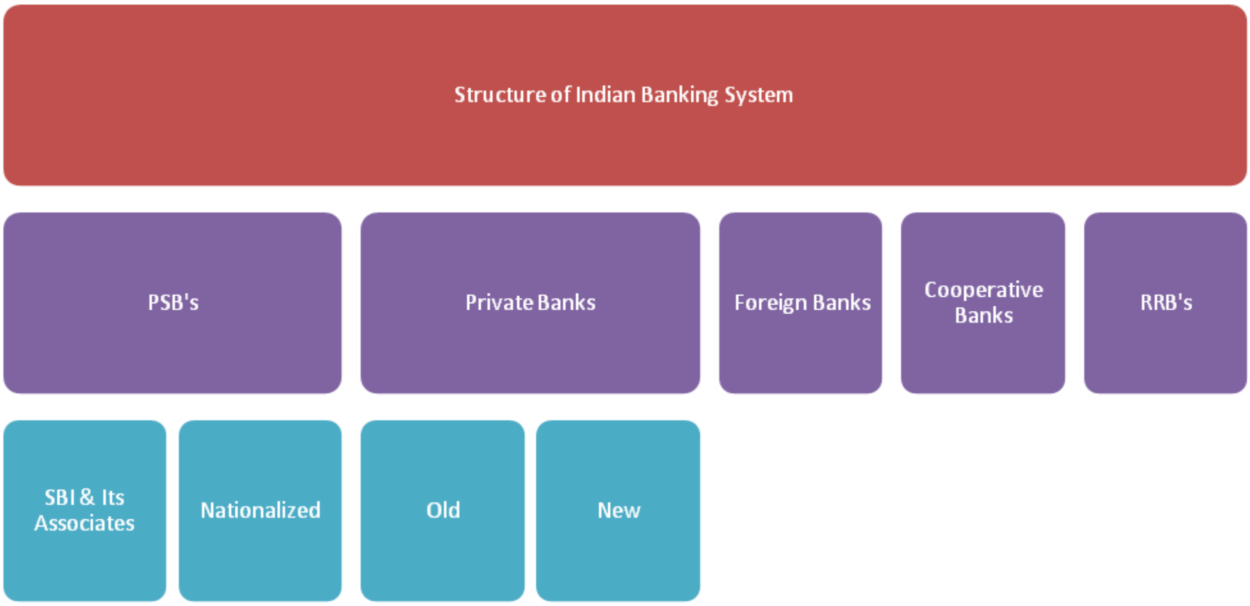

Figure 4.3 Indian Banking Structures

The Commercial Banking Structure in India comprises of Scheduled Commercial Banks and Unscheduled Banks. Planned business banks comprise those banks, which have been incorporated into the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI incorporates just those banks in this timetable, which fulfill the criteria set down vide segment 42 (6) (an) of the Act. Indian banks can be comprehensively characterized into nationalized banks/open part banks, private banks and foreign banks.

Functions of Commercial Banks

Prof. Syers, characterized banks as "establishments whose obligation ordinarily alluded to as 'bank stores' are usually acknowledged in conclusive repayment of other individuals' obligations". As indicated by Banking Regulation Act of 1949, "Managing an account implies the tolerant for the industriousness of loaning or speculation of stores of cash from people in general, repayable on interest or something else, and withdrawal with a money order, draft, request or something else". From the above definitions we can break down that the essential elements of banks are pleasing of stores, loaning of these stores, enabling stores to pull back through check at whatever point they request. The consequent are the elements of business banks.

1	•Receiving deposits from the public
2	•Giving loans and advances
3	•Use of cheque system and credit cards
4	•Credit creation
5	•Financing foreign trade
6	•Transfer of funds
7	•Agency functions.
8	•Miscellaneous functions

Fig 4.4 Functions of Commercial Banks

Merits

The merits of raising funds from a commercial bank are as follows

(i) Banks give timely assistance to business by provided that funds as and when desirable by it.

(ii) Secrecy of business can be kept as the information supplied to the bank by the borrowers is kept confidential

(iii) Official Procedure such as issue of catalogue and underwriting are not required for raising loans from a bank. This, therefore, is at ease source of funds

(iv) Loan from a bank is a malleable source of finance as the loan amount can be increased according to business needs and can be refunded in advance when funds are not needed.

Limitations

The major limitations of commercial banks as a source of finance are as follows

(i) Funds are generally available for short periods and its postponement or renewal is uncertain and difficult

(ii) Banks make detailed inquiry of the company's affairs, financial structure etc., and may also ask for security of assets and personal sureties. This makes the process of obtaining funds slightly hard

(iii) In some cases, difficult terms and conditions are imposed by banks for the grant of loan. For example, limitations may be imposed on the sale of mortgaged goods, thus making normal business working hard.

Finance is essential for business to establish and run its processes are known as business finance. No business can run without ample funds for undertaking various activities. The funds are needed for purchasing fixed assets (fixed capital requirement), for running day to day operations (working capital requirement), and for starting growth and expansion plans in a business organization. Various sources of funds available to a business can be classified according to three major bases, which are (i) time period (long, medium and short term), (ii) ownership (owner's funds and borrowed funds), and (iii) source of generation (internal sources and external sources).

Box 1

On October 2nd 2014, The Government of India launched the ambitious Swatch Bharath Abhiyaan / the Clean India movement which aims to provide access to basic hygiene to all citizens of the country. Apart from this, it also aims at achieving 100% coverage for waste collection and processing in 4041 towns and cities across India for a populace of about 306 million by October 2nd, 2019 which marks the 150th birth anniversary of Mahatma Gandhi (Swachh Bharat Urban, 2015). This initiative has been one of the top priorities of the government and has gained high reputation in the country. The government has allocated approximately $1.11 billion for solid waste management projects in urban areas which generate about 0.18 million tons of MSW every day (Swachh Bharat Urban, 2015). Apart from direct funding from central and state governments, special taxes and cess have been employed to finance these projects. During the national budget allocation for FY 201516, the government enabled the provision to implement a tax of up to 2% on all or certain services to fund the Clean India initiative and on November 15th 2015, a tax of 0.5% on all taxable services was officially notified. Another special legislation which can benefit the sanitation and waste management projects in India is The Companies Act 2013 which orders large companies to spend 2% of their net profits on social welfare (The Gazette of India, 2013). With this law, approximately $2 billion could be spent by companies annually towards corporate social responsibility (CSR) (Giuliani, 2013). Even though the CSR activities are not restricted to sanitation or waste management, this can definitely contribute to the Clean India mission. Apart from the national budgets, many municipalities have their own tax for waste management projects.

(source https//wastemanagementworld.com) **(**source SWaCH breath Abhiyaan A clean India Mission)

4.2EXIM Bank

For a longer time, the need for a distinct organization for export finance was not found in the country due to the closed market situations and India's limited share in foreign export. It is only during the 1980s, the need to growing India's export was felt, unresolved to increased foreign debts, which obliged India to go for an Apex establishment and the Export Import Bank (Exim Bank) was established in 1982.

Need for Exim Bank

In addition, the adjustment on the planet showcase and the formation of World Trade Organization (WTO) spoiled India to give a lift to its Export fund. From the start, it was felt that the Indian exporter needs just rupee fund. However, it is just because of an adjustment in the Export strategy of indorsing more esteem included Export, the job of Exim bank was particularly fingered. It is time Exim bank given money to innovative work as ethnic research assumes a vital job remarkable to protected innovation rights.

Functions of Exim Bank

The following are the functions of Export Import bank

Figure 4.5 Functions of EXIM Bank

1. **Finance for Exports and Imports** Exim bank helps by given that finance for exports and imports of goods as well as services from India. One of the major export policies approved by government of India is the export of value-added items.
2. **Finance on Deferred basis** Exim bank gives account on postponed premise to bringing in capital gear and other apparatus. The expense of capital gear in outside nations will be more and the Indian shipper can't bear to pay installment in foreign trade. The Exim bank gives ensure for the benefit of the shipper and empowers the merchant to make installment on portion premise to the worldwide exporter. Or then again, the bank itself may pay in mass to the universal exporter and get portion installments from the Indian merchant.
3. **Lease Finance** It gives rent fund to bringing in capital hardware. Under cross outskirt renting, the lesser might be in a foreign nation, while the tenant will be in India. The Exim bank helps the Indian resident in acquiring the capital hardware on rent by making the rent installment as far as foreign trade. It additionally helps for import renting, wherein together the lesser and renter will be Indians yet the gear imported on rent might be from U.S.A or U.K.
4. **Finance to Export Projects** Export extends in Third World nations are bolstered. India has taken up different Export extends in Third World nations, for example, railroad venture in Tanzania. Moreover, extends on a portion of the oil wells in Kuwait and Iraq taken up by Oil and Natural Gas Commission (ONGC) are additionally financed by Exim bank. All the indispensable gear and the labor is fundamental for such undertakings will be financed by the Exim bank.
5. **Line of Credit** the Exim bank gives credit extension to foreign merchants with the goal that sends out from India can upsurge. Under credit extension, Exim bank will convey account to the Central bank of the acquiring nation which thus will give to the business bank lastly the credit will achieve the merchant. This sort of acknowledges is protected as there is assurance of stores

at each stage.

6. **Refinance in Foreign Exchange** the Exim bank obtains bulk loan in foreign currencies in the foreign exchange market and provides refinance to the financial institutions, provided that export finance. Different kinds of exporters may require different worldwide monetary standards and these are got by the Exim bank at an unassuming loan cost and are given to business banks for loaning to exporters. It is because of this; the business banks can give preshipment and post shipment money to various exporters.
7. **Contribution to Equity Fund** the Exim bank likewise adds to the offers, debentures of Indian organizations engaged with Exports. Export organizations while supporting capital, may issue shares which might be incompletely financed by Exim bank. The bank may broaden this office as a temporary money as it won't hold the offers for all time. As a piece of speculation approach or by method for portfolio venture, it might put resources into the offers and debentures of organizations associated with Exports.
8. **Consultancy Services** the Exim bank also delivers technical, managerial and other assistance to exporters. Export projects are analyzed by the Exim bank from the point of view of managerial, technical, marketing and financial feasibility. When it finds a project viable, on the above grounds, it will not hesitate to fund it.

Aside from the above help, it is likewise given that limiting offices to trade bills. Here is additionally send out money for PC programming trades. The exporters are furnishing with market advancement help so they have the capacity to embrace publicizing and deals advancement exercises in foreign nations.

The Major Services Extended by the EXIM Bank for Promoting Exports Include

1. Factual data and bolster administrations to Indian organizations to help enhance their situations for verifying business in multilateral offices financed activities including the accompanying

   a. Dissemination of business opportunities in funded projects
      - Providing point by point data on activities of intrigue
      - Information on procurement guidelines, policies, practices of multilateral agencies
      - Assistance for registration with multilateral agencies advising Indian companies on the preparation of expression of interested intervention.

   b. In order to promote Indian consultancy, the bank has tied up with a number of international organizations, such as International Finance Corporation, Eastern and Southern African Trade and Development Bank, etc.

   c. The bank also serves as a consultant to various developing countries in promoting exports and exports finance.

   d. The bank helps in knowledge building by way of conducting seminars, workshops, and carrying out research studies on projects, sectors, countries, and macroeconomic issues relevant to international trade and investment. The bank has conducted sector specific studies for identifying market potential for computer software, electric components, chemicals, floriculture, machine tools, pharmaceuticals, medicinal plants, sports goods, financial services, etc.

   e. The bank gathers and disseminates information on exporters/importers, industry/market reports, trade regulations and laws, country reports, international quality standards, etc. to assist exporters.

ECGC

In India the credit risk coverage to exporters is provide by Export Credit Guarantee Corporation of India Ltd., shortly known as ECGC. It was established in 1964 as Export Risk Insurance Corporation in 1957. ECGC is a company wholly owned by the Government of India. It functions under the administrative control of the Ministry of Commerce. It is managed by a Board of Directors representing Government, banking, insurance, trade, industry, etc.

Functions of ECGC

The functions of ECGC are reflected in the different schemes it has involved protecting the exporter and the exporters' bank. The schemes of ECGC are classified broadly in below Figure

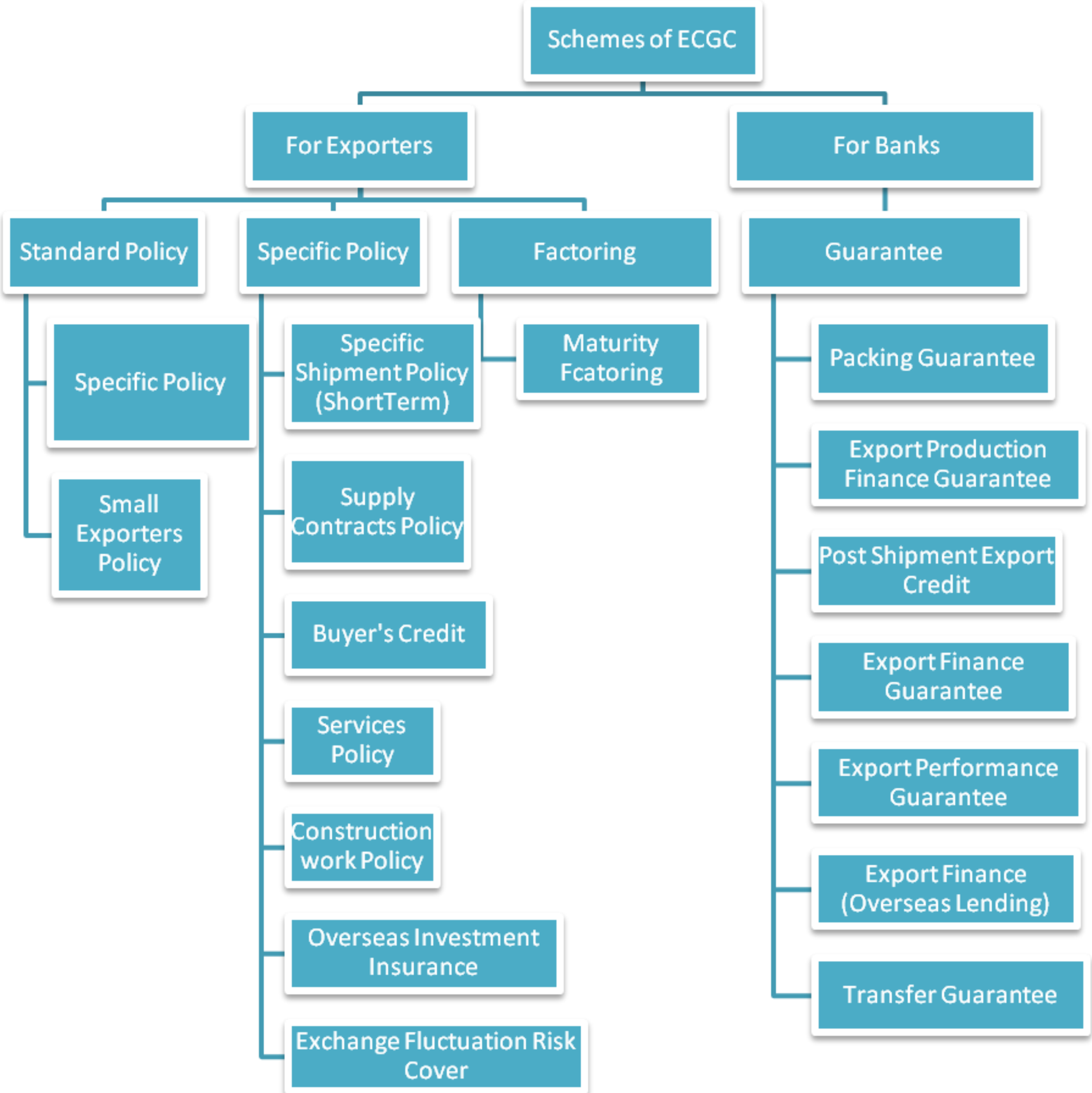

Figure 4.6 Schemes of ECGC

In the following sections a brief description of the different schemes of ECGC is attempted

Standard Policies The standard policies issued by ECGC are meant to provide cover for shipments on short term credit on whole turnover basis.

Risks Covered. The risks covered may be generally grouped into (a) commercial risks, and (b) political risks.

Commercial Risks Covered

- Insolvency of the buyer
- Buyer’s prolonged default to pay for goods accepted by him and
- Buyer’s failure to accept goods subject to certain situations.

Political Risks Covered

(i) Imposition of confinements on settlements by the administration in the buyer's nation or any administration activity which may square or postpone installment of the exporter

(ii) War, insurgency or common turbulences in the purchaser's nation

(iii) New import permitting confinements or crossing out of a legitimate import permit in the purchaser's nation

(iv) Cancellation of Export permit or inconvenience of new Export authorizing limits in India

(v) Payment of extra taking care of, transport or protection charges occasioned by intrusion or redirection of voyage which can't be enhanced from the purchaser and

(vi) Any other reason for misfortune occurring outside India, not ordinarily guaranteed by business safety net providers, and outside the ability to control of the exporter as well as the purchaser.

Types of Policies

The policy issued may cover risks from the date of shipment or from the date of contract. In either case, the policy may shield both political and commercial risks (Comprehensive policy) or it may cover only political risks. Thus, the policy may be any one of the following

(i) Shipment (Comprehensive Risks) Policy

(ii) Shipment (Political Risks) Policy

(iii) Contract (Comprehensive Risks) Policy or

(iv) Contract (Political Risks) Policy,

Role of ECGC

ECGC is the fifth largest credit insurer of the world in terms of handling of national exports. The types of insurance shield provided by ECGC include

- A range of credit risk insurance shelters to exporters against loss in export of goods and services
- Guarantees to banks and financial institutions to authorize exporters to obtain better facilities from them
- Overseas Investment Insurance to Indian companies investing in joint ventures at overseas in the form of equity or loan

What does ECGC do?

- Offers insurance shield to exporters against payment risks
- Provides guidance in export related events
- Makes available evidence on different countries with its own credit ratings

- Makes it easy to obtain export finance from banks/financial institutions
- Assists exporters in mending bad debts
- Provides information on creditworthiness of overseas buyers
- Provides names and addresses of potential buyers in the overseas markets.

Major Products and Services Offered by ECGC Include

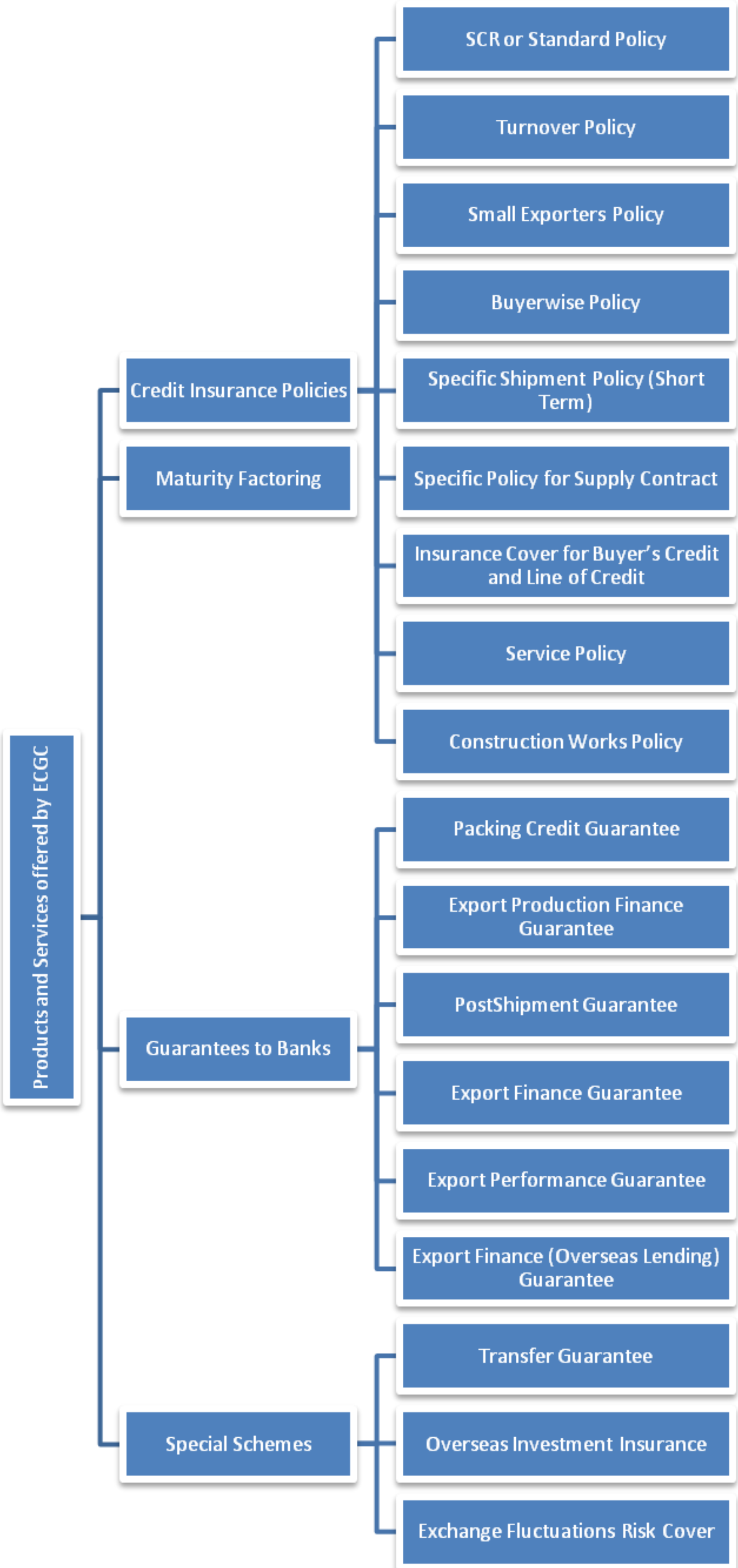

Fig 4.7 Products and Services Offered by ECGC

Overseas Investment Insurance

ECGC has progressed a scheme to provide protection for Indian investments abroad. Any investments made by way of equity capital or untied loan for the purpose of setting up or expansion of overseas Projects will be eligible for cover under investment insurance.

The investments may be either in cash or in the form of export of Indian capital goods and services. The cover will be available for the original investment together with annual dividends or interest receivable.

The risks of war, expropriation and limitation on payments are covered under the schemes. As the investor would be having a hand in the management of the joint venture, no cover for commercial risks would be provided under the scheme. For investment in any country to qualify for investment insurance, there should preferably be a bilateral agreement protecting investment of one country in the other. ECGC may consider providing cover in the absence of any such agreement provided it is satisfied that the general laws of the country have enough money protection to the investments. The period of insurance cover would not normally exceed 15 years. In case of Projects involving long construction periods, cover may be extended for a period of 15 years from the date of completion of the Project subject to a maximum of 20 years from the date of beginning of the investment. Amounts insured shall be reduced gradually in the last five years of the insurance period.

ECGC's Schemes for Project Exports

Export of capital merchandise on conceded installment terms and execution of turnkey Projects, development works contracts as additionally rendering of administrations abroad are together alluded to as Project sends out. As these exchanges are not of tedious nature and they include medium/long terms credit, ECGC's protection spread for such exchanges are given on a case to case premise under Specific Policies. Regularly these agreements are of high esteem and include longer credit period. The country / political risks involved in such transactions are unpredictable in view of long credit period involved. Although in' most cases the overseas buyers are the government or semi government organizations, there is a need for ECGC cover to protect the payment risks. There are cases where even government or central bank guarantees are available safeguarding payments. However, the elements of political risk such as war, civil disturbances, exchange transfer delay etc. are existent in all these cases despite having payment security as stated above. In order to protect such exporters ECGC has the following types of covers.

1. For covering supply contracts and Turnkey Projects Specific Contract / Shipments Policy can be taken. This Policy can be for covering only political risks or for covering comprehensive risks i.e. both commercial and political risks.
2. For covering construction contract, a Construction Works policy can be obtained. This policy can be for either Political Risks alone or for Comprehensive Risks. The Comprehensive Risks Policy provides protection against commercial risks such as Insolvency of Buyer, protracted default, non acceptance of goods distributed in addition to covering political risk of war, civil war, exchange transfer delay etc. The political risk policy on the other hand provides protection against political risk policy.
3. For covering services contract, which involves only technical and / or professional services, a Services Policy can be found. This also can be either for political or comprehensive risks.

To Do Activity

1. Identify the Recent Trends in EXIMBANK.
2. Observe the practices of any business organization near to you, that promoting exports.

The requirement for an unmistakable establishment for Export account was not felt in the nation because of the shut economic situations and India's restricted offer in world Export. It is just amid the 1980s, the need to expand India's Export was felt, inferable from expanded outside obligations, which constrained India to go for an Apex establishment and the Export Import Bank (Exim Bank) was established in 1982. ECGC gives a scope of credit hazard protection spreads to exporters adjacent to misfortune in Export of merchandise and enterprises, it offers certifications to banks and budgetary organizations to empower exporters acquire better offices from them, and give Overseas Investment Insurance to Indian organizations putting resources into joint endeavors abroad as value or advance. ECGC Provides offers protection insurance to exporters against installment dangers gives direction in Export related exercises makes accessible data on various nations with its very own FICO scores makes it simple to get trade account from banks/budgetary establishments helps exporters in recouping terrible obligations data using a loan value of abroad purchasers.

4.3 Export Promotion Schemes

Foreign Trade Policy 201520 and other schemes provide promotional measures to boost India's exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field. Fleeting of these measures are as under

Exports from India Scheme

- **Merchandise Exports from India Scheme (MEIS)**
  Under this scheme, exports of notified goods/ products to notified markets as listed in Appendix 3B of Handbook of Procedures are granted freely transferable duty credit scripts on realized FOB value of exports in free foreign exchange at quantified rate (25%). Such duty credit scripts can be used for payment of custom duties for import of inputs or goods, payment of excise duty on domestic obtaining, payment of service tax and payment of custom duties in case of EO default. Exports of notified goods of FOB value up to Rs 25, 000 per consignment, through courier or foreign post office using ecommerce shall be entitled for MEIS benefit.
- **Service Exports from India Scheme (SEIS)**
  Service providers of notified services as per Appendix 3E are qualified for freely movable duty credit script @ 5% of net foreign exchange earned.

Duty Exemption & Remission Schemes

These schemes enable duty free import of inputs for export production with export obligation. This scheme consists of

Advance Authorization Scheme

Under this plan, obligation free import of data sources is permitted, that are physically joined in the Export item (subsequent to offering typical leniency for wastage) with least 15% esteem expansion. Advance Authorization (AA) is issued for contributions to connection to resultant items according to

SION or based on self presentation, according to procedures of FTP. AA more often than not have a legitimacy time of a year to make imports and a time of year and a half for satisfaction of Export Obligation (EO) from the date of issue. AA is issued either to a producer exporter or shipper exporter fixing to a strong manufacturer(s).

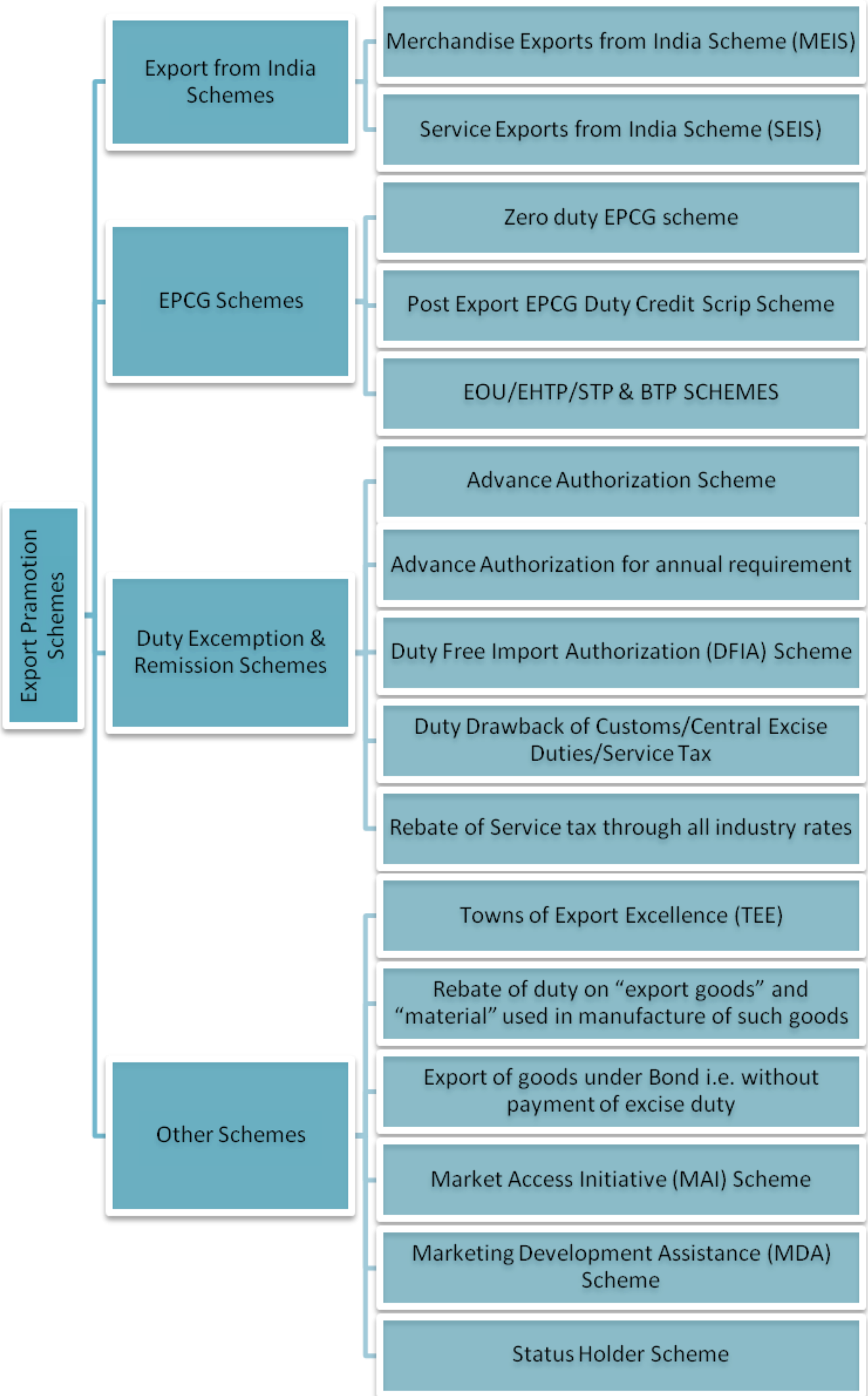

Fig 4.8 Export Promotion Schemes

Advance Authorization for Annual Requirement

Exporters having past export performance (in at least preceding two financial years) shall be permitted for Advance Authorization for Annual necessity. This shall only be issued for items having SION.

Duty Free Import Authorization (DFIA) Scheme

DFIA is issued to permit obligation free import of contributions, with a base esteem expansion necessity of 20%. DFIA will be exempted just from the installment of essential traditions obligation. DFIA will be issued on post trade reason for items for which SION has been advised. Separate plans exist for pearls and adornments division for which FTP might be alluded.

Duty Drawback of Customs/Central Excise Duties/Service Tax

The scheme is administered by Department of Revenue. Under this scheme product made out of duty paid inputs are first exported and thereafter refund of duty is claimed in two ways. i.e., All industry rates, Brand Rate

Rebate of Service tax through all industry rates

Reimbursement of service tax paid on specified output services used for export of goods is available at specified all industry rates.

EPCG Scheme

Zero duty EPCG scheme

Under this plan import of capital merchandise at zero custom obligation is considered creating quality products and ventures to improve India's Export aggressiveness. Import under EPCG will be liable to send out commitment comparable to multiple times of obligation spared in six years. Plan likewise permits indigenous sourcing of capital products with 25% less Export commitment.

Post Export EPCG Duty Credit Scrip Scheme

A Post Export EPCG Duty Credit Scrip Scheme shall be accessible for exporters who intend to import capital goods on full disbursement of appropriate duty in cash.

EOU/EHTP/STP & BTP SCHEMES

s undertaking to export their whole production of goods and services may be set up below this scheme for import/ obtaining nationally without payment of duties. For details of the scheme and benefits available therein FTP may be needed.

Other Schemes

Towns of Export Excellence (TEE) Chosen towns delivering products of Rs. 750 crores or more are informed as TEE on potential for development in Exports and give monetary help under MAI Scheme to perceived Associations.

Rebate of Duty on "Export Goods" and "Material" used in Manufacture of such Goods Rebate of duty paid on excisable goods exported or duty paid on the material used in manufacture of export goods may be claimed under Rule of 18 of Central Excise Rules, 2002.

Export of Goods Under BOND i.e. Without Payment of Excise Duty Principle 19 of Central Excise Rules 2002 gives leeway of excisable products to sends out without installment of focal extract obligation from the perceived manufacturing plant, stockroom and different premises.

Market Access Initiative (MAI) Scheme Under the Scheme, monetary help is accommodated Export advancement exercises on center nation, center item premise to EPCs, Industry and Trade Associations, and so on. The exercises resemble showcase thinks about/reviews, setting up showroom/stockroom, commitment in worldwide exchange fairs, exposure battles, brand advancement, repayment of enrollment charges for pharmaceuticals, testing charges for building items abroad, and so on.

Marketing Development Assistance (MDA) Scheme Financial assistance is existing for exporters having an annual export turnover up to Rs. 30 crores for trade fairs, buyer seller come across organized by EPC's/ Trade promotion organizations.

Status Holder Scheme After accomplishing endorsed Export execution, status acknowledgment as one star Export House, two star Export House, three star trade house, four star send out house and five star trade house is agreed to the qualified candidates according to their Export execution. Such Status Holders are qualified for different nonmonetary benefits as recommended in the Foreign Trade Policy. Notwithstanding the above plans, offices like 24X7 traditions leeway, single window in traditions, self appraisal of traditions obligation, earlier recording office of delivery bills and so forth are accessible to encourage sends out.

Insurance for Export

The entire motivation behind being ready to go is to exchange things for a benefit and this may not be conceivable if the exchanging things get lost or stolen before getting to their goal. Tragically, both prepared and learner businesspeople frequently disregard this fundamental certainty and die. When you neglect to take out payload protection for your import or Export shipment.

Reasons for Export/Import Goods Insurance

Even though import insurance cost might be considered expensive by many traders, the import export trade domain faces certain issues that are not come across anywhere else and that make it essential to take a suitable sort of cover to moderate inevitable loss

Fig 4.9 Reasons for Export/Import Goods Insurance

1. Limited Liability Clauses

Courier services that operate tune and sea freight services do not comprehensively concealment our consignment while it is in transit. Foremost, they do not top charge cancel disasters and general averages. Additionally, for those situations that they actually provide cover, they have express liability which means that even if you were to get paid you would not receive the full Charles Frederick Worth of our consignment if the inevitable actually happens. This implies that in order to avoid getting paid in cents in case of loss, it would be much cheaper and more suitable to get insurance cover for our export shipment.

2. Mandatory Requirement

In some case, for example CIF ship ping, it is a legal requirement for us as the marketer to take out an export indemnity policy for the commitment in rules of order to protect the interests of the buyer as well his bank. This implies that if you are operating under such a contract, it would be a major infringement not to take out a policy which could lead to legal battle or even the deprivation of the particular heap as well as the client for lifespan. Bank bill that the CIF price and jeopardy transfers to the buyer as soon as goodness are loaded on to the ship or flight of stairs and that any contravention of its terms would come back the risk to us as the supplier.

3. Loss Probability Reduction

This one works both ways, to such an extent that in the event that you as the exporter have not paid protection of Export shipment and have not been paid for the products or as the shipper, you have forked over the required funds however they are not guaranteed, in the event that some kind of harm or misfortune occurs for the merchandise then we will no matter what endure major budgetary misfortune.

4. Additional Control

While the guarantor of a dispatch may profess to have import load protection taken out and paid for, the most ideal approach to practice full control is by thinking about the duty literally. This is the best way to guarantee that the valuation of the products is done accurately and that the terms of the protection bundle are really feasible.

5. General Average

The speed at which merchandise are discharged to you on a general normal assertion may rely upon you having taken out marine protection for Export products. The general normal necessity teaches that if there should arise an occurrence of misfortune or harm, the two gatherings to the exchange will share the misfortune similarly. Taking out this sort of protection would suggest that your insurance agency embraces this misfortune and guarantees the quick arrival of your products.

Important Insurance Considerations

The sort of protection spread you embrace will rely upon our own inclination. Numerous entrepreneurs request 110% of the all-out estimation of the exchange. This esteem covers everything including the messenger charges and import protection costs and incorporates that additional 10% to cook for the time squandered and any costs that may emerge from documenting a case. Try not to leave these subtleties to risk as they may spell fate on the off chance that the spread taken licenses for a little division in pay or if the case takes a very long time to settle.

Decide the measure of control that we need in the direst outcome imaginable. On the terms of offer for most exchanges, the provider's risk closes at the point where the products achieve the purchaser. At times, the purchaser consents to pay for the products when they arrive. This makes it simpler for you as the provider and could imply that the purchaser has a more prominent requirement for the protection than you do. Exploit such a situation. Be that as it may, in the event that the freight is being transported open record, it is dependent upon you to go to any length conceivable to verify the merchandise and spread your dangers suitably. Make sure to tell the customer his duty in announcing any harm when the shipment arrives and not altering proof in order to guarantee the case is settled.

It isn't programmed that the provider ought to dependably pay for the protection strategy. We could consult with our client on this as they now and again consent to foot the expense. It is additionally conceivable to figure out how to share costs relying upon the impact of this spread and different variables considered by each gathering.

There are imperative archives that ought to be arranged and held for the whole span of the exchange. These are extremely helpful for making a paper trail that would prove to be useful as proof on the off chance that you have to record a case.

Important Insurance Documents

While there are many types of insurance documents in the import export insurance policy, the following are some of the most vital ones

The Insurance Policy – this contains the terms and conditions under which the insurance contract is executed.

The Broker's Note – this is the document that you get as proof that a policy has been taken out as you wait for the processing of a certificate.

The Certificate of Insurance – this is also referred to as the cover note and it serves as proof of the existence of cargo insurance for your import or export.

Partner with Professionals

With regards to the import send out exchange, the tempting prizes don't come simple as the space is set apart by a lot of booby traps. The measure of exertion and money related info that you put into your organization may all come to nothing in a solitary blow from a sudden source. This makes it critical to join forces with a specialist who will manage you in this unsafe territory and guarantee you maintain a strategic distance from all types of hazard however much as could reasonably be expected while educating you on the sort regarding business protection for Export shipments that would best suit your line of exchange.

To Do Activity

A well-established business firm in India had been catering to foreign markets in frequently. The management is serious about making a sustained presence in the international markets but it has financial controls. You have been hired to take charge of firm's expansion plan at global level. Suggest suitable schemes for getting assistance for the market promotion campaigns

Foreign Trade Policy 201520 and other schemes deliver promotional measures to boost India's exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field. Different categories of schemes are available in India to promote the exports. Insurance is as vital to any product supply plans as safe vehicles and good sturdy cartons. When we ship important cargo many miles away and wholly out of our control, we do not want to take any odds on our vessel foundering in a massive midocean storm or our airline simply losing track of our cargo altogether. If situations like these occur, we must be compensated for our cargo's value. Insurance coverage for export shipments is traditionally provided either through our airline, logistics specialist, freight forwarder or from an insurance company specializing in ocean and air cargo.

4.4 Types of Export/Import Cargo Insurance

"Export insurance reduces the associated costs if its premiums are smaller than exporters' perceived losses from self protection, or if safety net providers can separate dangers more precisely than exporters, or if protection is financed" "Export Credit and Export Credit protection are in some cases utilized as vehicles for advancement help. Such projects are generally intended to encourage trades in order to profit the sending out nation (or to diminish the expense to the exporter of giving guide). The bringing in nation gets an offer of advantages to the degree that exporters decrease costs, however the business idea of these projects makes them faulty vehicles for transmitting improvement help." (Bruce Fitzgerald and Terry Hanson) International business is a hazard, which is the reason protection spread could easily compare to ever for exporters. Here's a manual for the five most well known Export protection items. Murphy's Law states 'Whatever can turn out badly will turn out badly.' While you may not be as cynical as Edward Murphy Jr, it doesn't damage to consider how you can moderate all the negative potential outcomes to which sending out is uncovered. Luckily, there are various ways you can put resources into significant serenity. Export protection, in its different pretenses, cannot just make you increasingly agreeable about working together abroad, it enables you to concentrate on, and develop, your business globally. In perspective on the before talked about parts, it is in reality essential that you take out a protection strategy for your import/send out transfer. Be that as it may, what sorts of protection covers are accessible to offer these advantages? Give us a chance to investigate various significant choices

Types of Export Insurance

The Export Insurances can be classified into 5 types those are

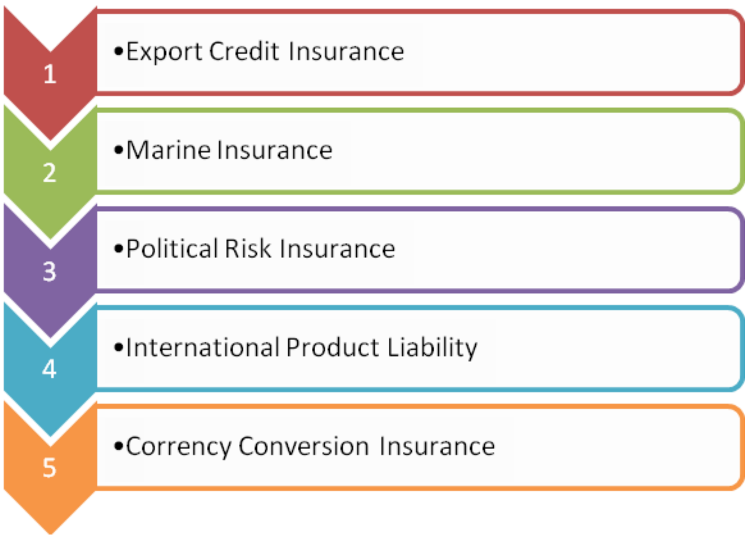

Fig 4.10 Types of Export Insurance

1. Export Credit Insurance

This kind of policy offers you protection in case your foreign client fails to make payment for goods. This is important if for any reason a buyer is unable to honor his side of the agreement. This is one major obstacle that prevents new traders from venturing out onto the international trade domain regardless of its limitless advantages over most other existing forms of trade.

This amazingly well known strategy in this manner guarantees that you don't need to keep away from getting a charge out of the prizes that originate from this sort of exchange by temperance of dread of disappointment. It gives a pad against which to fall back and ascend when the most exceedingly terrible occurs. The spread offers you the chance to stay away from a possibly unsafe circumstance by giving you data on the purchaser's credit record and general money related history report. The guarantor in this way embraces to prescribe the purchaser and underwrite his capacity to make installment. In the uncommon case that the arrangement goes bad, the backup plan pays somewhere in the range of 80 and 90% of the aggregate sum owed if there should be an occurrence of misfortune.

2. Marine Insurance

In spite of the suggestion behind this name, marine protection for Export products isn't just constrained to transfers that are transported over the ocean. It is a mind boggling bundle that gives a spread to products from the minute they leave the provider's hands to the point they are given over to the purchaser.

There is so much that could go wrong between these two points as the consignment moves from the factory to the courier's storage facility, to the selected mode of transport all the way to the buyer. This is the best form of freight insurance to take care of all these terminals and ensure safe delivery of the goods to the client.

3. Political Risk Insurance

This is a particularly important type of insurance cover for traders dealing with emerging economies. These nations are typically exceedingly inclined to impedance by administrative experts that could result in the seizure of products or inability to get installment for them. Such governments unintentionally pass laws that may bring about obstructing the typical channels of cash exchange out of the nation or even the seizure of business resources.

This protection covers against the dangers that may result from political shakiness for example war, changes or mobs that may prompt misfortune or harm. It additionally covers unavoidable variables that may refute your case to business inside the nation for example the wiping out of your exchanging permit direct outsider segregation that serves to support nearby substances and smash the rest or government gets that are not respected when political turmoil becomes the dominant focal point. The political hazard protection approach is critical on the grounds that these developing economies offer the most feasible and ready markets for exchange yet agents bashful far from them in view of the intrinsic dangers related with them. This makes it conceivable to cover your bases while investigating these open doors at no risk.

4. International Product Liability

What happens when the products you ship to your business goal neglect to coordinate to the neighborhood lawful prerequisites or are in truth broken? Straightforward, you either endure misfortune or recoup your speculation through worldwide item risk protection.

However, this cover does not apply to traders who simply failed to do their homework and ended up in a tight situation. It is only applicable when you have conducted all due diligence and initiated a transaction armed with information but somewhere along the way some policy detail was amended and now your goods can no longer be accepted into the destination country. It is essential to comply with all requirements in order to ensure that in case such a tragedy actually does befall you, you can prove beyond reasonable doubt that you had made every effort to comply and that the complication only arose after the transaction mechanisms had already been set into place. That is the only way to guarantee compensation from this insurance cover.

5. Currency Conversion Insurance

A main consideration that now and again prompts incredible misfortunes for global dealers is outside trade transformation misfortune. The conditions that may have been in play when an exchange was started may take a significant turn and abandon you in the stature of despondency. This type of protection mitigates against any misfortunes that may emerge from the negative impact of money developments. This is profoundly fundamental in light of the fact that there is no real way to foresee future execution of any cash and the scarcest trigger could result in a tremendous and sudden change that spells gigantic misfortune to a universal broker.

Risks Covered in Export Insurance

Risks Covered!

(I) Commercial Risks

- Insolvency of the buyer
- Buyer's protracted default to pay for goods accepted by him and
- Buyer Failure to accept goods.

(ii) Political Risks

1. Imposition of limitations on settlements by the legislature in the purchaser's nation or any administration activity, which may square or defer installment to the exporter
2. War, unrest or common unsettling influences in the purchaser's nation
3. New import authorizing confinements or retraction of a legitimate import permit in the purchaser's nation?
4. Cancellation of Export permit or burden of new Export authorizing limitations in India (Under Contracts Policy)
5. Payment of extra taking care of, transport or protection charges occasioned by interference or preoccupation of voyage, which can't be recouped from the purchaser? what's more,
6. Any other reason for misfortune happening outside India, not ordinarily protected by business safety net providers, and outside the ability to control of the exporter or potentially the purchaser.

(III). Risks Not Covered

a) Commercial debate raised by the purchaser, except if the exporter gets a declaration from a Competent courtroom, in the purchaser's nation, to support him

b) Causes inalienable in the idea of the products
c) Buyer's inability to acquire vital import or trade approval from experts in his nation
d) Insolvency or default of any operator of the exporter or of the gathering bank
e) Loss, robbery, pilferage or harm to products which can be secured by business safety net providers? Also,
f) Fluctuation in the swapping scale of the cash of receipt.
g) Failure of the exporter to satisfy the terms of the Export contract or carelessness on his part.

To Do Activity
Question Explain which types of export insurance needed for automobile exports. Briefly Explain.

Global business is a hazard, which is the reason protection spread could easily compare to ever for exporters. Here's a manual for the five most well known Export protection items. Murphy's Law states 'Whatever can turn out badly will turn out badly.' While you may not be as skeptical as Edward Murphy Jr, it doesn't damage to consider how you can moderate all the negative conceivable outcomes to which trading is uncovered. Luckily, there are various ways you can put resources into genuine feelings of serenity. Export protection, in its different appearances, cannot just make you progressively agreeable about working together abroad, it enables you to concentrate on, and develop, your business universally. In perspective on the before examined sections, it is in reality imperative that you take out a protection arrangement for your import/send out dispatch.

4.5Export Credit Insurance (ECI)

Export Credit Insurance (ECI) secures an exporter of items and administrations against the danger of non installment by a foreign purchaser. Export credit protection (ECI) ensures an exporter of items and administrations against the danger of non installment by an outside purchaser. At the end of the day, ECI fundamentally lessens the installment dangers related with working together globally by giving the exporter contingent affirmation that installment will be made whether the foreign purchaser can't pay. Basically, exporters can secure their foreign receivables against an assortment of dangers that could result in non installment by outside purchasers. ECI for the most part covers business dangers, (for example, indebtedness of the purchaser, liquidation, or extended defaults/moderate installment) and certain political dangers, (for example, war, psychological war Export, mobs, and upset) that could result in non installment. ECI likewise covers money inconvertibility, seizure, and changes in import or Export controls. ECI is offered either on a solitary purchaser premise or on a portfolio multi purchaser reason for present moment (as long as one year) and medium term (one to five years) reimbursement periods.

Characteristics of Export Credit Insurance

- **Applicability** Recommended for use related to open record terms and pre-trade working capital financing
- **Risk** Exporters accept the danger of the revealed part of the misfortune and their cases might be prevented in the event that from claiming rebelliousness with necessities determined in the arrangement
- **Pros** Reduces the danger of non installment by outside purchasers and Offers open record terms securely in the worldwide market

- **Cons** Cost of getting and keeping up a protection arrangement and Risk partaking as a deductible (inclusion is more often than not beneath 100 percent)

Need for Export Credit Insurance

Installments for Exports are available to dangers even under the most favorable circumstances. The dangers have accepted vast extents today because of the expansive political and financial changes that are clearing the world. A flare up of war or common war may square or defer installment for products traded. An overthrow or an uprising may likewise realize a similar outcome. Financial troubles or parity of installment issues may lead a nation to force limitations on either import of specific merchandise or on exchange of installments for products imported. What's more, the exporters need to confront business dangers of bankruptcy or extended default of purchasers. The business dangers of a foreign purchaser going bankrupt or losing his ability to pay are irritated due to the political and financial vulnerabilities. Export credit protection is intended to shield exporters from the results of the installment dangers, both political and business, and to empower them to extend their abroad business without dread of misfortune.

Coverage

Present moment ECI, which gives 90 to 95 percent inclusion against business and political dangers that outcome in purchaser installment defaults, normally covers (a) shopper products, materials, and administrations as long as 180 days, and (b) little capital merchandise, buyer durables, and beef items as long as 360 days. Medium term ECI, which gives 85 percent inclusion of the net contract esteem, more often than not conceals substantial capital gear to five years. ECI, the expense of which is frequently joined into the moving cost by exporters, should be a proactive buy, in that exporters ought to acquire inclusion before a client turns into an issue.

Where We Can Get Export Credit Insurance?

ECI strategies are offered by numerous private business insurance agencies just as the Export Import Bank of the ed States (Exim Bank), the administration office that helps with financing the Export of U.S. merchandise and enterprises to worldwide markets. U.S. exporters are firmly urged to search for a claim to fame protection dealer who can enable them to choose the most financially savvy answer for their requirements. Respectable, settled organizations that move business ECI approaches can be effectively found on the Internet. You may likewise purchase ECI approaches straight forwardly from Exim Bank. Moreover, a rundown of dynamic protection dealers enlisted with Exim Bank.

Private Sector Export Credit Insurance

- Premiums are separately decided based on hazard factors and might be diminished for set up and experienced exporters.
- Most multi purchaser approaches cost under 1 percent of protected deals, though the costs of single purchaser arrangements change generally due to assumed higher hazard.
- The cost by and large is fundamentally not exactly the expenses charged for letters of credit.
- There are no limitations with respect to outside substance or military deals.
- Commercial insurance agencies can generally offer adaptable and optional credit limits.

Exim Bank's Export Credit Insurance

- Exim Bank clients are encouraged to allude to the Exposure Fee Information and Fee Calculators sec-tion to decide introduction expenses (premiums).
- Coverage is accessible in more dangerous rising foreign markets where private back up plans may not work.
- Exporters choosing an Exim Bank working capital certification may get a 25 percent premium markdown on multi purchaser protection approaches.
- Enhanced support is offered for naturally helpful Exports.
- The items must be delivered from the ed States and have something like 50 percent U.S. content.
- Exim Bank can't bolster military items or buys made by outside military substances.
- Support for Exports might be shut or limited in specific nations for U.S. government arrangement reasons (for more data, see the Country Limitation Schedule posted on the Bank's Web website under the "Apply" area).

Export credit insurance is a type of protection that shields a business' outside records receivable. Acknowledge protection prepares exporters for the affirmation that, should a foreign client default because of political or business chance, their Export business will be made up for a level of the outside receipt. Export credit insurance can enable exporters to develop their universal deals, yet in addition permit engage them to all the more likely deal with their business.

Benefits of Export Credit Insurance

Figure. 4.11 Benefits of Export Credit Insurance

EXIM offers policies that support businesses and exports of any size. No transaction is too large or too small. Export Credit Insurance is designed to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business, without fear of loss. Export credit insurance also seeks to create a favorable climate in which exporters can hope to get timely and liberal credit facilities from the banks at home. For this purpose, export credit insurer provides guarantees to banks, to protect them from the risk of loss, inherent in granting various types of finance facilities to exporters. In order to provide export credit insurance support to Indian exporters, the Government of India set up the Export Risks Insurance Corporation.

Exhibit

The Berne Union the International Union of Credit and Investment Insurers was founded in Berne in 1934. Known as "The Berne Union," it is the international trade association for credit and investment insurers promoting stability and cooperation in cross border trade. Its membership includes the major private credit insurers and most national ECAs worldwide. Berne Union members support international trade and foreign direct investment by providing risk mitigation products to exporters, investors, and banks. The Berne Union facilitates professional exchange among its members and with external stakeholders. It promotes the adoption of best practices and sound principles in export credit and investment insurance. In 2017, The Berne Union has 84 member companies from around the world, including 5 observers. The membership is diverse – member organizations may be private or state linked, small or large. They represent all aspects of the export credit and investment insurance industry worldwide. In 2017, Berne Union members provided USD 2.3 trillion of payment risk protection to banks, exporters and investors equivalent to 13% of world cross border trade for goods and services

Important Questions

1. Explain the Characteristics of Export Credit Insurance.
2. What are the benefits of Export Credit Insurance?
3. Briefly explain the types of Export Insurances.
4. Explain the Types of Risks involved in Export Insurance
5. Briefly explain the Export Promotion Schemes in India.
6. Explain the Reasons for Export Insurance.
7. What are the Important Documents for Export Insurance?
8. Explain the Functions of Exim Bank.
9. What are the Services extended by the Exim Bank to Promote Exports in India?
10. Define ECGC and Explain its Functions.
11. What is the Role of ECGC in National Exports?
12. Explain the functions of Commercial Banks.
13. Explain the structure of Indian Commercial Banks
14. Discuss on Categories of Financial Needs.

Chapter 5 Risk Management

Learning Objectives

- To know the Risk Management & Types of Risks
- To become aware of the documents needed for availing Export Incentives
- To gain insights on the need and importance of export incentives in India
- To provide insights on Foreign Exchange Regulations
- To empower them on export processing zones, Export and Trading House Schemes

5.1 Introduction

5.2 Types of risks and Mitigation Methods

5.3 Export Incentives

5.4 Foreign Exchange Regulations and Role of STO's in Foreign Trade

5.5 EPZ, EOU, SEZ, Export and Trading House Schemes

5.1Risk Management

Contemporary organizations operate in a risky context. Unexpected events can lead to major losses in terms of market share, money, or reputation. Planning for those contingencies and creating mitigation tactics is one the key processes a modern business needs to undertake. The course on Risk Management focuses on formally defining what risk is, and presenting different approaches to modeling it. We will look at risk from a more quantitative perspective which is usual for financial organizations and large corporations but only for the benefit of clarity of exposition. The main principles espoused go well beyond the large organization and the financial markets and can easily be applied in a lot a different context ranging from the small company to personal decisions.

Definition of Risk

Casual conversations of risk underpin our everyday understanding of the concept. In this sense, risk is often associated with unfavorable developments (expected or unexpected) that lead to a loss. Risk is therefore associated with downside effects. This is not the case in the field of economics and finance. Here risk is defined as the deviation from an expected outcome which can either be positive, leading to profit (risk on the upside) or negative, leading to loss (risk on the downside). In fact, we can have an even more nuanced view on risk and uncertainty by resorting to Frank Knight's

(1921) distinction he delineates four different cases, as follows

- **Certainty** where no possibility of deviation is present, and therefore all events happen with a probability of p = 1. This is often the case with natural laws if an object on Earth is dropped it is supposed to fall to the ground, accelerating at a rate of g.
- **Risk** This is a situation where deviations from the expectations are possible and those are well-defined. The agent knows all the possible outcomes and can attach probabilities to them. It is therefore a situation where the mathematical expectation E[x] can be defined and its respective probabilities are clear. For example, when a fair coin is thrown, the outcomes can be either heads or tails, and each of them occurs with the probability of 0.5.
- **Uncertainty** In this case the agents know the possible outcomes of a given situation but they cannot easily attach probabilities to them. For example, when building a nuclear power plant, one can assume that it either operates safely, there are minor accidents, or there is a large accident. While these outcomes are easy to spell, it is unclear as to what their exact probabilities are. In such cases the agents tend to attach approximate probabilities or formally model the system in order to obtain estimates of its behavior.
- **Ambiguity** under ambiguity agents can define neither the outcomes of a given situation, nor the probabilities associated with them. This is by far the most difficult situation of decision making and hardly lends itself to formal modeling. Some scholars compare situations of low level tactical war Export to this case. To ease modeling and interpretation, we will take consider situations as instances of risk even though this will sometimes not be fully accurate. In cases of uncertainty and ambiguity, we will try to define outcomes and approximate probabilities and use standard tools for modeling and managing risk. In the case of certainty modeling is, of course, trivial.

Types of Risks

Fig. 5.1 Types of Risk

There are many situations in which risks occur. The understanding and set of risk management tools are easily transferable across those but it may still be of use to define a typology of the different types of risk. This provides for a clearer analytic framework and can be crucial to business and executive communication. Here, the classification of Crouhy et al. (2005) is followed. We can distinguish between eight major types of risk in business

- **Market Risk** This is the risk that financial market volatility will have a negative effect on the value of an asset. Depending on the source of risk we can define equity price risk, interest rate risk, Forex risk, and commodity price risk.

- **Credit Risk** The risk associated with the change in the credit rating of a counterparty which can change the value of own assets. • Liquidity risk this category essentially comprises two large sets of risks. The first one refers to a company being illiquid the risk of not having enough cash flow to cover its operations. The second one refers to the market being illiquid and thus the company is unable to sell a desired asset (at the desired price, or at all).
- **Operational Risk** The risk that stems from poor organization of labor, faulty controls, inadequate systems, management failure, and human error. An issue of particular interest in the group of operational risk is also fraud. Legal and regulatory risk this stems from the changes in law and the legal environment that can affect the value of assets, or positions. Changes in tax laws directly affect cash flow, and more indirectly operations. So is the case with other laws and regulations, with some of them, like nationalizations, providing extreme examples.
- **Business Risk** These refer to the classic risk of economic and business transactions the uncertainty of forecasting demand, or the precise pricing, or costs. Traditionally, they have received large attention in the literature but the palette or risks that a modern manager should consider is much broader.
- **Strategic Risk** This refers to the risk, associated with making a significant investment or undertaking decisive action on the strategic level that can be associated with a potentially very large profit or loss. In essence, this is the risk stemming from strategic planning at the company level (new products, new markets, new business models, etc.)
- **Reputation Risk** This is the potential damage that can be done to firms when their activity is seen as unethical, unacceptable, or fraudulent. Since a large part of business operations is built on trust and history, potential reputational damages can be very significant. Likewise, maintaining good reputation can be monetized. The list here provides a broad overview of the spectrum of risks that a modern organization should be cognizant of. Depending on the business model, history, and mode or operations, some of the risks will be more prominent, while others unimportant. However, the risk manager is well advised keep at least top line track of most of them as changing economic circumstances may dramatically change their importance for the company.

Steps in Risk Assessment

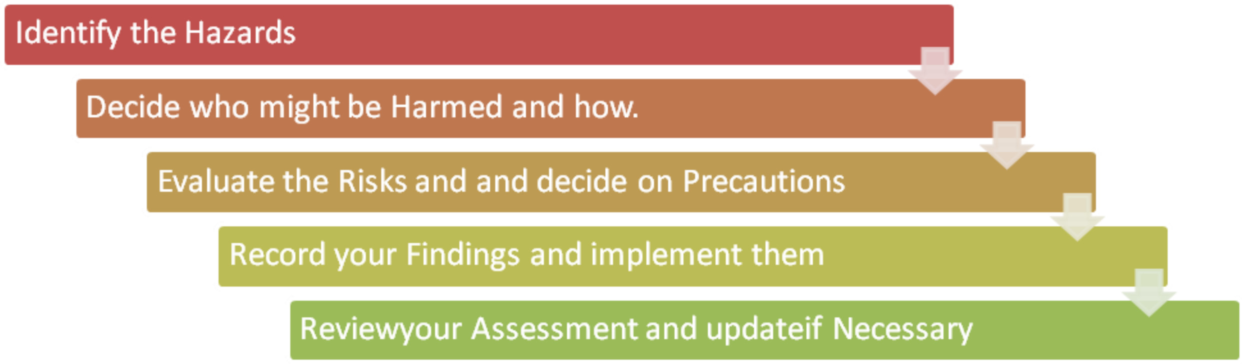

Figure 5.2Steps in Risk Assessment

Applying Risk Assessment to Waste

The most recent figures from the UK Government show that in 2014, the business and mechanical parts alone delivered some 2.7 million tons of waste. Under various bits of ecological enactment, organizations have an obligation of consideration to oversee squander. The method of reasoning is that this will guarantee that squander is overseen at all phases so as to diminish squander, avoid dangers to the earth and human wellbeing and to dissuade criminal conduct. Notwithstanding ecological issues, waste can exhibit different dangers when on business and modern premises that if not oversaw effectively can affect on natural as well as wellbeing and security consistence. A proper hazard appraisal procedure will empower the obligation holder to recognize the dangers related with these perils and actualize the important hazard control estimates required to meet and oversee consistence necessities.

Waste and Hazards

Squander enactment and the obligation of consideration plan to forestall or decrease the potential negative effects related with waste, especially amid capacity, transportation and last transfer. In any case, there are different dangers and related dangers on location that may emerge if squander the board game plans are not actualized. These can include

- Handling perils related with lifting or potentially conveying waste materials
- Coming into contact with unsafe waste materials
- Waste capacity regarding fire dangers both to the premises and encompassing premises
- The development of waste accumulation vehicles.

Handling Waste

It is practically unavoidable that waste should be taken care of at some stage. This plainly puts those included with the action in danger for musculoskeletal disarranges (MSDs), eg while expelling waste from the working into bigger compartments outside the premises. Furthermore, there are dangers of cuts and scraped areas from sharp articles that may have been disposed of (eg broken glass) just as presentation to risky waste substances that could cause sick wellbeing or disease.

Fire Risks

Fire in ignitable or combustible waste can spread quickly and produce huge warmth and flares. What's more, the way in which squander is put away can affect on other flame safety measure estimates, for example, escape courses.

Waste Vehicles

The accumulation of waste may well include the development of expansive vehicles or potentially squander compartments on location. The principle perils are

- Persons being struck by or keep running over by vehicles/compartments
- Persons being struck by something tumbling from vehicles/compartments
- Containers toppling and hitting people.

The need to consider such dangers in hazard evaluations is noted in significant enactment and additionally related direction. This incorporates a general prerequisite in the Workplace (Health, Safety and Welfare) Regulations 1992 to guarantee that squander materials are not permitted to aggregate in a working environment aside from in appropriate containers.

All the more explicitly, L5, the Approved Code of Practice to the Control of Substances Hazardous to Health Regulations 2002 (COSHH), states that an appropriate and adequate appraisal of the hazard made by work exercises should "consider those substances which are… created toward the finish of any procedure, eg., squander, deposits, scrap and so on."

So also, direction to the utilization of flame hazard evaluations proposes that squander materials ought to be distinguished as a wellspring of fuel.

Assessment Factors

Considering the dangers itemized above, deciding and breaking down the dangers, at that point distinguishing the pertinent hazard control estimates will require squander related issues to be "inherent" to the applicable hazard appraisal process for the risk regions.

As a feature of the hazard appraisal of waste various issues must be considered as pursues.

- The types and amounts of waste materials to be delivered.
- The areas where aggregations of waste materials are collected.
- How and when the waste is to be evacuated to holders outside the building.
- The sorts of holders to be utilized to store the waste.
- Where the holders are to be found.
- The recurrence of accumulation of waste from these areas.

Contingent upon the sort of waste, an appraisal of the dangerous properties of the loss as a major aspect of the arrangement procedure might be required. This will incorporate distinguishing the synthetic synthesis of the waste and afterward surveying dangerous properties through

- Calculation, by alluding to a fixation limit for a peril explanation code/s
- Testing, to demonstrate whether a specific risky property is available or not
- The security information sheet, if the waste is a fabricated item whose creation has not changed for that particular item.

When the waste components have been recognized, an appraisal can be made with regards to the present dealing with, capacity and transfer control estimates that are right now being utilized, in order to decide whether benchmark best practice is being clung to. Various perspectives ought to be basically inspected with, for instance, the accompanying inquiries being tended to.

- **Waste Handling** Are squanders dealt with in a sheltered way with due thoughtfulness regarding related risks? Are representatives made mindful of the risks of the waste? Are loads kept low and mechanical guides used?
- **Containers** Are suitable containers utilized for the capacity of waste? Are the compartments reasonably found? Are the compartments appropriately named? Do they have tops?
- **Waste Isolation** Is squander isolated into proper classes? Are representatives made mindful of isolation necessities and courses of action?
- **Storage Territories** How and where are the squanders put away? It is safe to say that they are put away far from premises and limit dividers? To what extent are squanders put away preceding gathering?
- **Vehicle Security** Are traffic courses to and from the waste stockpiling region separate from person on foot courses? Are there set occasions for gathering? Have traffic quieting measures been utilized?

Unmistakably the inquiry set used to decide the gauge necessities ought to be founded on the particular site conditions yet direction noted underneath will empower a fitting inquiry set to be produced.

Risk Control

While thinking about the most sensibly practicable methods for disposing of or diminishing dangers, previously recognizing explicit hazard related controls, the association should take a gander at

- Preventing the waste being created (in accordance with the waste progression)
- Minimizing the measure of waste created, for example by expanding the lifecycle of a benefit or changing procedures
- Whether the waste can be rendered less unsafe through substance, physical or warm treatment forms.

When diminishing dangers from the treatment of waste materials, the typical strategies contained in the Manual Handling Operations Regulations 1992 ought to be embraced. The evaluation may recognize straightforward estimates, for example, guaranteeing that interior waste compartments are of a size that keeps a person from lifting an extensive burden, holders are intended to make taking care of simple and trolleys are given to move squander around the site.

Where squander dealing with is probably going to include materials (and holders) that could cause damage through cuts and scraped spots, thought should be given to regarding whether the compartments are fitting and whether any type of individual defensive hardware is required as gloves or defensive footwear. Likewise, for squanders that are risky to wellbeing, the association may need to think about the utilization of individual defensive hardware. Be that as it may, the key is to avert introduction through end of the risk or, where this isn't sensible, the utilization of proper compartments to transport and store the risky waste materials.

The sort of holder used to store waste ought to be reasonable and adequate in number. Likewise with natural necessities, compartments ought not permit the departure of any waste material, eg by being fitted with lockable tops.

Where certain squanders are contrary, compartments ought to be unmistakably marked and staff made mindful of the need to isolate the substances or materials included. Pressurized canned products and combustible fluid compartments, for instance, ought to be kept separate from different types of waste.

Incendiarism dangers are noteworthy for waste materials. Direction to the Regulatory Reform (Fire Safety) Order expresses that the dependable individual should "build up a formal framework for the control of ignitable waste by guaranteeing that squander materials and junk are not permitted to develop and are cautiously put away until legitimately discarded". It might likewise mean giving compartments that are made of non ignitable material.

Also, thought should be given to security issues and the danger of fire related crime, which may require squander compartments to be arranged in a protected, sufficiently bright condition. When in doubt, waste ought not be put away inside 2m of the premises edge.

At long last, the association ought to draw in with its waste gathering temporary worker to design the accumulation procedure. Run of the mill measures to consider will be

- Selecting a period and course for accumulation that limits chances through the quantity of person on foot's present
- Ensuring the most suitable vehicle is utilized for the sort of site and waste
- Eliminating the requirement for the vehicle to turn around when gathering waste from site
- Planning waste gathering timetables to guarantee vehicles/holders are not overburden
- Installing traffic quieting measures to keep vehicles at moderate paces when on location.

Summary

The course on Risk Management focuses on formally defining what risk is, and presenting different approaches to modeling it. We will look at risk from a more quantitative perspective which is usual for financial organizations and large corporations but only for the benefit of clarity of exposition. The main principles espoused go well beyond the large organization and the financial markets and can easily be applied in a lot a different context ranging from the small company to personal decisions.

To Do Activity

Identify the Risk in Waste management of scrap in your village/ city/corporation etc., and explain the controlling techniques adopted by them.

5.2Risk Mitigation

Hazard relief is characterized as finding a way to lessen unfriendly impacts. There are four kinds of hazard moderation procedures that hold special to Business Continuity and Disaster Recovery. It's critical to build up a technique that intently identifies with and matches to the organization's profile.

1. **Risk Acceptance** Risk acknowledgment does not diminish any impacts anyway it is as yet thought about a system. This procedure is a typical alternative at the expense of other hazards, for example, evasion or constraint may exceed the expense of the hazard itself. An organization that wouldn't like to spend a great deal of cash on evading dangers that don't have a high plausibility of happening will utilize the hazard acknowledgment technique.
2. **Risk Avoidance** Risk shirking is the inverse of hazard acknowledgment. The activity maintains a strategic distance from any introduction to the hazard at all. Note that chance evasion is normally the costliest of all hazard relief choices.
3. **Risk Limitation** Risk confinement is the most widely recognized hazard the board procedure utilized by organizations. This technique restricts an organization's presentation by making some move. It is a system utilizing a touch of hazard acknowledgment alongside a touch of hazard evasion or a normal of both. A case of hazard confinement would be an organization tolerating that a circle drive may come up short and staying away from an extensive stretch of disappointment by having reinforcements.
4. **Risk Transference** is the association of giving danger off to an eager outsider. For instance, various organizations re-appropriate certain activities, for example, client administration, finance administrations, and so forth. This can be advantageous for an organization if an exchanged hazard isn't a center competency of that organization. It can likewise be utilized so an organization can concentrate more on their center abilities.

Risk Mitigation Measures

Risk moderation estimates can be named controls that are physical, specialized, procedural, or consistence based. A physical control would be a fence, lock, or hindrance. A specialized control may be cautions, cameras, or IT firewall programming. Procedural controls could be occurrence reaction procedures or guest get to systems. A consistence control could incorporate having satisfactory protection inclusion or giving staff preparing. Regularly, an association will utilize different controls as one to make a top to bottom resistance to defeat potential security dangers. These controls are intended to work proactively to dissuade potential manmade dangers. For instance, a sufficiently bright office with unmistakable security watches is frequently discouragement to culprits who will search for a less demanding target. Coming up next is a straightforward rundown of potential hazard alleviation measures

- Physical security (obstructions, locks, fencing)
- Electronic security frameworks (cautions, cameras, get to control frameworks, IT security)
- Visitor method (sign in sheet, identification prerequisite, escort approach)
- Security officers (effectively watching the office)
- Security officer preparing (CPO authorize)
- Security methods agenda (surveyed each move)
- Employee preparing and mindfulness (emergency treatment, security approaches)
- Insurance
- Business progression and emergency readiness plan
- Training with neighborhood law authorization and crisis responders
- Corporate crisis reaction group (CERT)
- Secure stopping office
- Crisis interchanges plan
- Proper office upkeep
- Incident reaction process

When an association has recognized vulnerabilities to their security program, the vital hazard relief estimates will be set up to make various layers of security. These coordinated security controls are intended to balance, stay away from, or limit dangers to the association.

Risk Mitigation Planning

Risk Mitigation Planning (it used to be called Risk Handling) is the procedure that distinguishes, assesses, chooses, and executes choices so as to set hazard at worthy dimensions given program imperatives and destinations. This incorporates the points of interest on what ought to be done, when it ought to be cultivated, who is mindful, and related expense and calendar. The most fitting methodology is chosen from these moderation alternatives

- Risk Avoidance
- Rick Controlling
- Risk Transfer/Sharing
- Risk Assumption

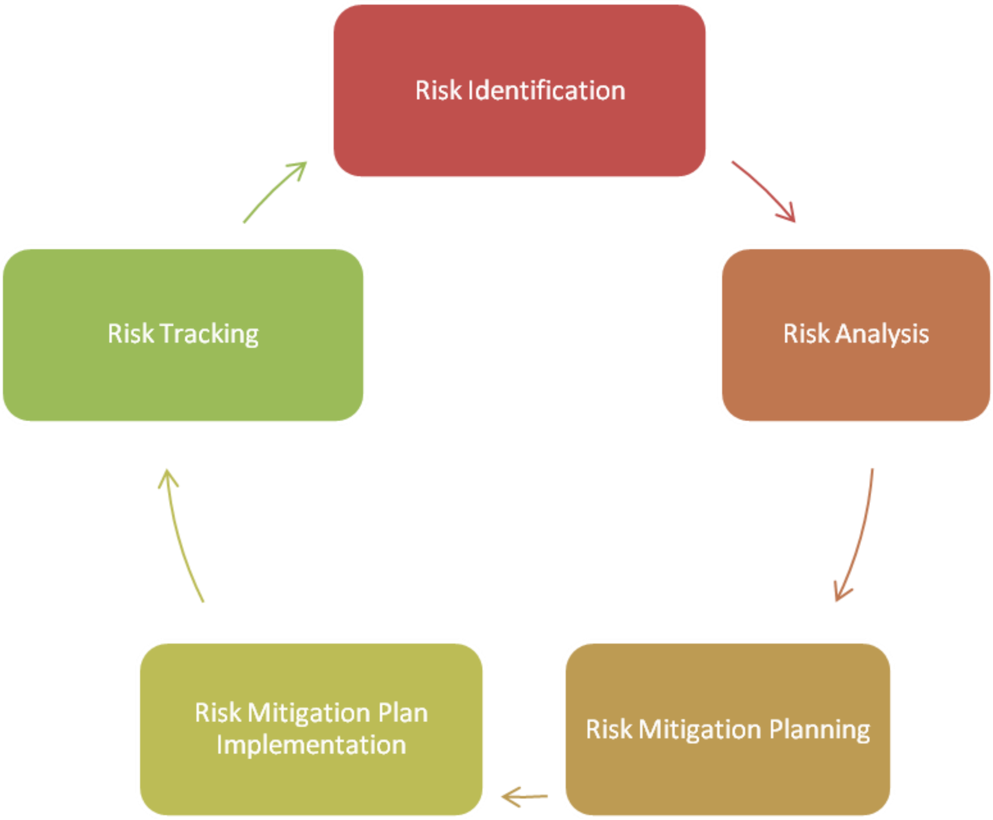

Figure 5.3 Risk Mitigation Planning

For each hazard the sort of moderation methodology must be resolved and the subtleties of the relief depicted in the Risk Mitigation Plan. The aim of hazard relief plan is to guarantee effective hazard moderation happens. Hazard moderation arranging is the action that recognizes, assesses, and chooses choices to set hazard at adequate dimensions given program requirements and goals. Hazard moderation arranging is expected to empower program achievement. It incorporates the points of interest of what ought to be done, when it ought to be cultivated, who is dependable, and the financing required to execute the hazard moderation plan. The most fitting system approach is chosen from the alleviation choices recorded above and reported in a hazard moderation plan.

Summary

Risk alleviation estimates can be delegated controls that are physical, specialized, procedural, or consistence based. A physical control would be a fence, lock, or boundary. A specialized control may be alerts, cameras, or IT firewall programming. Procedural controls could be occurrence reaction procedures or guest get to methods. A consistence control could incorporate having satisfactory protection inclusion or giving staff preparing.

Box 3Risk Elimination

Stockholm Convention (2001) on Persistent Organic Pollutants (POPs)

The Stockholm Convention (2001) on Persistent Organic Pollutants (POPs) is a global treaty that became legally binding on May 2004, after being ratified by 50 states worldwide. The main objective of the Convention is to protect human health and the environment from persistent organic pollutants. The parties to the Convention are required to take measures to reduce or eliminate releases from intentional production and use, or unintentional production and stockpiles and wastes of the following persistent organic pollutants Aldrin, Chlordane, Dieldrin, Endrin, Heptachlor, Hexachlorobenzene (HCB), Mirex, Toxaphene, Polychlorinated Biphenyls (PCB), DDT (1,1,1trichloro2,2bis (4chlorophenyl) ethane) Polychlorinated dibenzopdioxins and dibenzofurans (PCDD/PCDF). The first nine persistent organic pollutants should be eliminated or banned for production and use. Risks of the maritime transport of persistent organic pollutants are eliminated by banning production and use of these chemicals.

(Source DAGOB Publication series 5)

5.3 Procedures and Documentation for Availing Export Incentives

Exports are given need in India and appreciate parcel of motivating forces. Be that as it may, the serious issue lies during the time spent acknowledging them. Tragically, exporters need to approach numerous associations for looking for approval. Every association recommends its own elite technique for documentation just as method structure the phase of accommodation of case till approval. The documentation and methods are different with every motivator given. This isn't the finish of their issues. Motivations are accessible at post shipment arrange yet they are associated with the records produced at the season of shipment. In the event that exporter does not give careful consideration at the time and phase of Export shipment in giving total and sufficient data in the records legitimately, their cases for Export motivators are antagonistically influenced. It is fundamental to the exporters to design cautiously in admiration of impetuses, even at the season of shipment, however their advantages are accessible simply after consummation of the shipment. Without sufficient arranging, it will agitate their store stream and similarly the all out acknowledgment may not be profitable for affecting Exports. Exporters need to draw a reasonable arrangement of activity for asserting motivations in an opportune way to maintain a strategic distance from deferrals and cuts in acknowledgment. Exporters need to comprehend the distinctive procedural conventions, associated with different and various organizations. This would guarantee appropriate consistence for profiting of full advantage of motivations. Around there, Government needs to justify the motivators by opening a solitary window approach for approval of different cases.

Types of Incentives

Government of India has been endeavoring to develop exports through various financial and nonfinancial assistance and fiscal incentives to the exporters. They are divided in two categories.

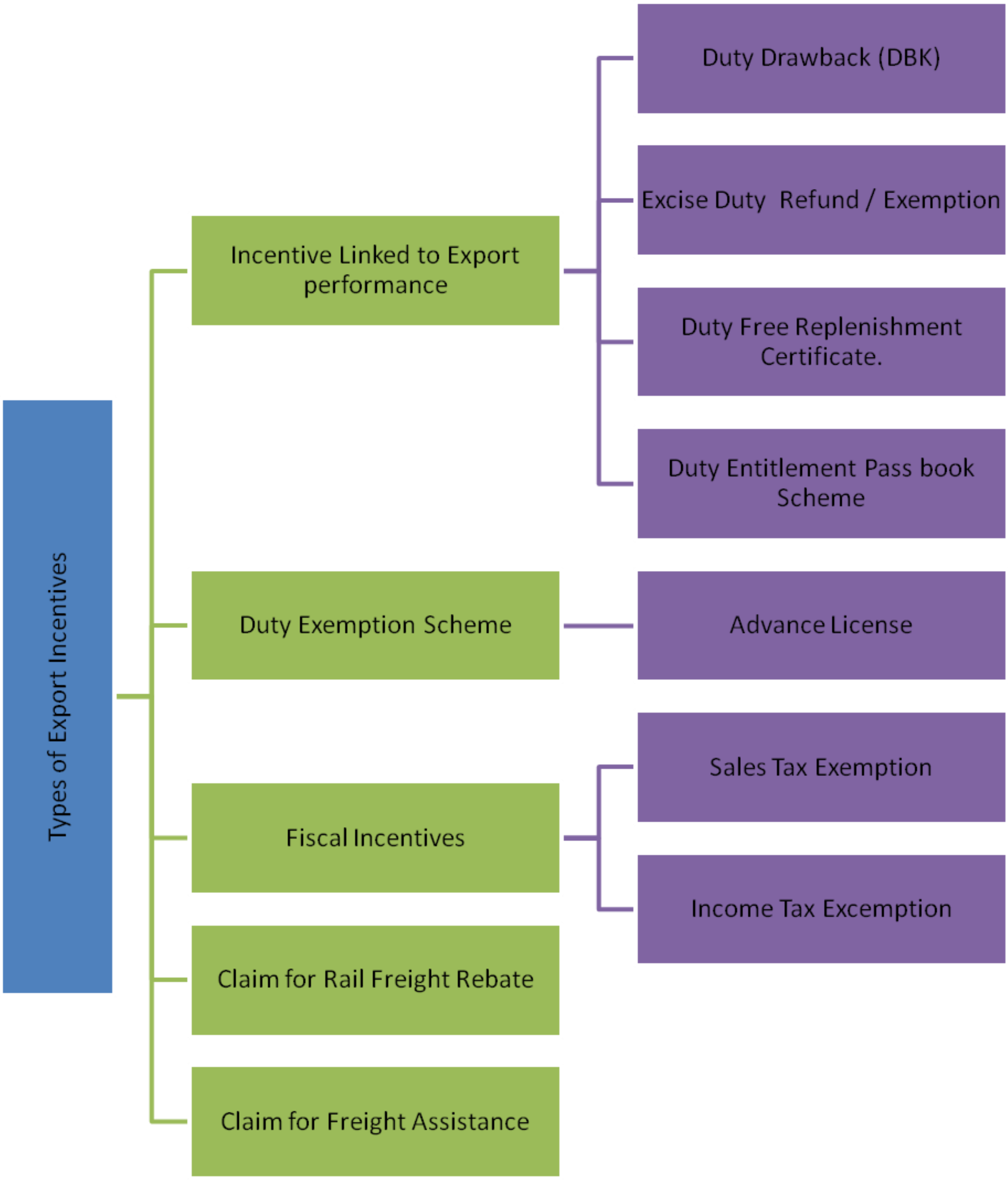

Figure. 5.4 Types of Export Incentives

Documentation and Procedure for Claiming Incentives

The method for asserting these motivations is distinctive for various motivators.

Duty Drawback (DBK)

The obligation downside alludes to the discount in appreciation of Central Excise and Customs Duties paid in admiration of crude materials and different sources of info utilized in the assembling of the item, preceding Export.

Whom to Apply The traditions house in whose purview the exporter's manufacturing plant or distribution center is arranged.

When to Apply An exporter is qualified for case the obligation disadvantage when the Export of products is finished. Conveyance of merchandise at the port of goal isn't fundamental. Export' to claim obligation downside is confirming by "Let Export Order". Guarantee application is to be submitted with in a time of three months from the date of "Let Export Order", issued by the Customs Officer. The exporter can look for expansion of period for accommodation of case. The Assistant Commissioner can give expansion for a time of three months, on the off chance that he is fulfilled that the exporter is kept from presenting the application.

When Samples Are Drawn in the event that, any example has been drawn from the shipment of products to decide the substance of the essential materials for obsession of disadvantage, the example report is being given to the exporter inside a time of one month from the date of taking the example? This report is to be submitted alongside other significant records for presenting the case. Postponement in giving the report will be added to the period took into account accommodation for example three months' time frame. For instance, if the example report is allowed following one month and twenty-five days, the exporter can present the case inside three months and twenty five days, notwithstanding the optional expansion time of three months.

Drawback Rates the Government of India declares the rates of obligation disadvantage each year on 31st May, item astute in the disadvantage plan. For the most part, the rates are communicated as a level of the FOB estimation of the products sent out. Every single such rates are called as All Industry Rates. The rates are made viable from first June of consistently. In the event that, obligation disadvantage rate isn't reported for a specific item, the maker/exporter is known as Brand Rate. On the off chance that, the rate of obligation disadvantage is under 80% of the obligations paid, the exporter can present an application for reasonable upward correction. This is known as Special Brand Rate. The application is to be submitted to Directorate of Duty Drawback Ministry of Finance.

When Duty Drawback Not Admissible Duty downside is acceptable for the Export of all the informed items. Be that as it may, in the accompanying cases, it isn't acceptable

- No extract/traditions obligation is paid for the assembling of Export item
- Amount of downside is under 1% of the FOB estimation of the merchandise. In any case, if the measure of disadvantage is more than Rs.500, it very well may be guaranteed
- If the Export continues are not understood inside a half year
- If the measure of outside trade spent on the information sources utilized for the Export is more than the foreign trade estimation of the Exports. At the end of the day, esteem expansion is negative

Instructions to File Claim The technique for asserting obligation disadvantage relies on whether the preparing of transportation records has been electronic or not. The exporter isn't required to record any different application for guaranteeing obligation disadvantage, if the preparing of archives has been mechanized at the purview traditions station. Where handling has not been automated, separate application is to be submitted for asserting obligation disadvantage. Triplicate duplicate of the transportation bill turns into the application simply after the Export General Manifest is recorded.

Reports to be Presented The accompanying records are to be submitted to the Directorate of Duty Drawback

1. Triplicate duplicate of the Shipping Bill
2. Copy of bank authenticated receipt
3. Copy of Packing List
4. Copy of Bill of Lading/Airway Bill
5. Copy of ARE1 structure, where material
6. Insurance Certificate, where important
7. Copy of the Test Report, where required
8. Copy of correspondence in regards to Special Brand Rate obsession
9. Copy of the Export contract or letter of credit by and large
10. Pre receipt for downside guarantee

How Claim Amount is Paid the Customs House that has the ward over the port or airplane terminal through which trades are influenced makes the installment.

How Delay in Payment of Claim is Stayed Away from when the case application alongside total arrangement of records is presented, an affirmation in the recommended structure is issued to the exporter inside 15 days from the date of documenting the case. The obligation downside is to be paid to the exporter inside a time of two months from the date of affirmation. If there should be an occurrence of postponement, intrigue @15% per annum is paid for the time of default. Because of necessary intrigue arrangement, ordinarily, claims are settled in time. Snap here for most recent refresh on Export help conspires in India

Export Benefits and Incentives in India

How does trades advantage to exporters in India? What is the budgetary help to exporters? What are the points of interest of Exports in India? What are the diverse government plans to exporters? How does bank help exporters' monetary help, advantages and backings to Exporters in India? Distinctive money related plans and different backings of Export Promotion Councils. Who are the associations and organizations supporting exporters in India and how?

The underneath referenced Export benefits, plans, money related help and other help to exporters in India by government and other distinctive offices could be pulled back or changed. The genuine recipients may reconfirm with the concerned experts whether such Export benefits are legitimate.

Assistance from Trade Promotion Councils and Commodity Boards

Exchange advancement committee of various items and product sheets helps exporters with different budgetary plans and other administration help. Market Development Assistance (MDA), Market Assistance Initiative (MAI), Financial help to go to Trade Fairs, different data underpins and so on are some of them.

Duty Exemption and Remission Scheme for Exporters

Advance Authorization Scheme (AA plot)

According to foreign exchange arrangement of India, inputs are permitted to import without obligation installment for Export reason. The authorizing specialist fixes esteem expansion on Export items not beneath 15%. A stipulated period to import is permitted and legitimacy for Export commitment. For more subtleties, contact closest DGFT office (Director General of Foreign Trade, Government of India). I have referenced a short note on Advance Authorization Scheme in this web blog independently, you can click here to peruse. Advance Authorization for yearly prerequisite is likewise issued for things having standard information yield standards those exporters having past Export execution, least going before two monetary years.

Export Duty Drawback of Customs/Central Excise and Service Tax

Obligation paid contributions against sent out items is discounted to exporters as Duty Drawback. In the event that the rates of such things are booked under Drawback plan, the measure of downside is discounted likewise. If not planned, a different application must be documented to fix Brand Rate. Point by point articles on Duty Drawback and Brand rate are accessible in this web blog with technique for case. Methods to guarantee obligation disadvantage

Brand Rate under Duty Drawback for Exporters

In the event that Duty Drawback rate has not been referenced in timetable, exporters can approach concerned specialist for Brand rate. Brand rate of disadvantage is falling under two classifications. Right off the bat, the exporter's item has not been recorded in the Duty move back timetable. Also, the exporter considers the recorded rate of disadvantage is lacking to completely kill the obligations endured by his Export item. Here in both the above conditions, exporter chooses the brand rate of obligation move back.

Under this brand rate plan of downside, the exporters are remunerated by paying the measure of Customs, Central Excise obligations and Service Tax rate really brought about by the Export item. For this reason, the exporter needs to deliver records/verification about the genuine amount of sources of info/administrations used in the assembling of Export item alongside proof of installment of obligations consequently. The concerned experts could conceivably allocate such extra exclusion by check of such reports.

Rebate of Service Tax through all Industry Rates for Exporters

Administration charge discount paid is reimbursable on determined yield administrations utilized for Export of merchandise at indicated all industry rates settled time to time by the specialist.

Export Benefit of Duty-Free Import Authorization

DFIA (Duty Free Import Authorization) conspire is the Export plot presented by DGFT by clubbing DEEC (Advance License) and DFRC to help exporters with the expectation of complimentary import of sources of info. I have composed a different refreshed article in insight concerning Duty Free Import Authorization (DFIA). You may click here to peruse.

DEPB, another Advantage to Exporter

DEPB (Duty Entitlement Pass Book) conspire is another Export motivating force plot in India. At present, DEPB can be asserted post trade. Import traditions obligation credit is permitted to exporters to kill the traditions import obligation against Export of merchandise. Additionally, read Can DEPB/DEEC bill can be changed over to Drawback

EPCG Scheme to Promote Exports

Export Promotion Capital Goods (EPCG) plot causes exporters to import capital merchandise with zero import obligation with the end goal of generation of Export items with a responsibility of Export commitment period with authorizing specialist. Certain rate of unwinding is permitted to move in nearby market in the wake of satisfying Export commitment. A nitty gritty article about EPCG (Export Promotion Capital Goods) can be perused in this site. How does EPCG work? EPCG under new Foreign Trade Policy 201520 Difference among EPCG and ECGC

Central Excise Rebate of Duty for Exporters

Refund of obligation paid on excisable products sent out or obligation paid on the material utilized in assembling of such Export merchandise might be guaranteed. Likewise read Procedure for Central Excise Clearance under Claim of Rebate

Central Excise Duty Exemption on Exports

Excisable products are exempted to pay send out extract obligation with basic systems with focal extract office. Essential enrollment of reason, processing plant or stockroom is required to be finished with concerned focal extract office by executing bond. Snap here to peruse Central Excise freedom methods

Deemed Export Benefits

Considered Export exchanges are those exchanges in which the products provided don't leave the nation and the installment for such supplies is gotten either in Indian rupees or in free outside trade. You may experience this connect to know in insight regarding Deemed Exports. Regarded exporters get advantage of discount of extract obligation paid on definite items, Duty downside, imports under DEEC plot, Special import licenses dependent on estimation of esteemed Exports and so on. Snap here to become familiar with Deemed Exports

Income Tax Benefits for Exporters

Income tax exception to exporters is permitted by government in various classes. You may contact your closest Income Tax Department to realize most recent refreshed data on pay charge exceptions to exporters in India.

Sales Tax/Vat Exemption to Exporters

No business charge is required to pay for Exports. The office is stretched out to the providers of products for Export moreover. Esteem Added Tax (VAT) is additionally exempted for Export products. The subtleties of such exclusion of offers charge/VAT with the concerned Sales Tax Department.

Bilateral Trade Agreements Benefits to Exporters

Exchange Agreement between nations advance Exports each other by giving diverse uncommon plans to exporters. Snap here to find out about Bilateral Trade Agreements Difference between Multilateral Trade Agreements and Bilateral Agreements

Post office Clearance Facility to Exporters

Mail station freedom office is additionally accessible for exporters who might want to trade/import clear the products in India. Peruse more Procedures to guarantee under MEIS conspire under Export of merchandise through messenger or foreign post workplaces.

Bank Assistance for Exporters

Much monetary help with various plans are given to exporters to support sends out in India. Pre Shipment Credit in Foreign Currency (PCFC) and in INR, Packing Credit advances, Supplier's credit, Buyer's credit, Post shipment Finance, present moment and long haul account, Finance for exceptional Export ventures, Working capital fund, Capital Equipment Finance, Fund for Export consultancy and mechanical administrations, distinctive assurances for Exports like Advance Payment Guarantee, Performance Guarantee, Retention Money Guarantee, Guarantee for traditions, focal extract and other government and private organizations and so on. Banks additionally give budgetary help to Export Oriented s (EOU), Special Economic Zones (SEZs), Corporates, STPs, EHTPs, FTZs, MSMEs and so forth. Bank likewise gives Line of Credit instrument to Export of undertakings, hardware, products and enterprises from India.

Approved banks additionally give exporters to open Foreign money account as EEFC (Exchange Earners Foreign Currency) to help them in taking care of outside cash effectively without neighborhood money variance and to kill cash transformation charges. Numerous different administrations are likewise given to exporters in India by approved banks to support trades for good equalization of installments.

ECGC (Export Credit Guarantee Corporation)

Export Credit Guarantee Corporation (ECGC) ensures exporters in covering credit danger of abroad purchasers. Snap here to peruse more.

Federation of Indian Exporters Organization

FIEO additionally assumes a noteworthy job in advancing Exports in India by helping exporters in different ways.

Export Support from Chambers of Commerce

Assembly of Commerce at various parts of the nation and Federation of Indian Chamber of Commerce and Industry (FICCI) help exporters in different approaches to advance exporters in acquiring outside cash to reinforce economy.

Export Assistance from Industries' Associations

The help from Exporters Organization shaped secretly likewise assumes a noteworthy job in sharing reasonable issues looking by industry and discovers arrangements. Such exporter's affiliation takes up their issues with government time to time, in order to empower the legislature to acquaint new approach or with revise existing one.

Central Assistance to States for Exports (Aside)

Help to States for Infrastructural Development for Exports (ASIDE) has been presented by Central Government with a target to include States/Under Takings in Export exertion by giving help to the State Governments or State Under Takings Administrations for making suitable framework for advancement and development of Exports.

Towns of Export Excellence (TEE)

India government proclaimed a rundown of towns of Export brilliance where specific Export items are advanced. Snap here to know towns of Export brilliance

Advantages to Special Group of Exporters

Advantages for Exporters from Certain Regions

Exporters and makers from uncommon area, for example, Sikkim, Jammu and Kashmir and so forth are given explicit advantages by government. The exporters can contact the related government organizations for more subtleties.

- Export advantages to s having ISO 9000 (arrangement)/ISO 14000(arrangement)/WHOGMP/HACCP/SEI CMM level or more status
- Export s holding extraordinary status are additionally qualified for various Exports profits by government changing time to time.

SSI/MSME BENEFITS

There are numerous plans accessible for Micro Small and Medium Enterprises (MSME) and SSI (Small Scale Industries) including plan to advance Exports. You may approach concerned office. Advantages to MSME

Export Advantages to Free Trade Zones (FTZ)

Export s in Free Trade Zones can appreciate zero extract obligation on merchandise made for Export reason. Import traditions obligation is exempted for import of segments utilized for assembling send out merchandise. A residential Tariff Area (DTA) deal up to certain rate is permitted.

Export Advantages for Electronic Hardware Technology Park (EHTP)

Focal points like Single point contact administration, pay tax breaks, DTA deals up as far as possible and numerous other Export advantages can be delighted in for s of Electronic Hardware Technology Park (EHTP)

Export Benefits for Software Technology Parks

Numerous points of interest like Foreign value consent, salary tax reductions, DTA deals up as far as possible and numerous different backings can be appreciated for the s under STP.

Advantages to 100% Export Oriented s (EOUs)

Import of second hand capital products, re Export of capital merchandise, salary tax breaks, DTA deals up as far as possible and numerous other government aids can be delighted in by Export Oriented s.

Export Advantages to Bio Technology Park (BTP)

Salary tax cuts, re Export of capital products, DTA deals up as far as possible and numerous different accommodations can be appreciated from various government and nongovernment organizations to BTP.

Export merits for Agri Export Zone (AEZs)

Salary tax cuts, re Export of capital products, DTA deals up as far as possible and numerous other Export points of interest can be profited for Agri Export Zone (AEZs)

Advantages of Electronic Hardware Technology Parks (EHTPs)

Pay tax reductions, re Export of capital merchandise, DTA deals up as far as possible and may other Export backings can be delighted in by Electronic Hardware Technology Parks (EHTPs).

Export Support to Special Economic Zones

Government gives numerous advantages to Special Economic Zones in India to make a universally focused and smooth workplace for Exports and in this way financial improvement of the nation. A portion of the focal points delighted in by SEZ are single window leeway, free import of products, exception of traditions obligation for import of capital merchandise, consumables, crude materials, saves and so on, repayment of CST, 0% pay expense for a long time, Foreign Direct Investment, exclusion on MAT, Service Tax, DDT, CST, Service Tax, External business getting office and so on and some more.

Exports are given need in India and appreciate part of impetuses. Be that as it may, the serious issue lies during the time spent acknowledging them. Shockingly, exporters need to approach different associations for looking for authorization. Every association recommends its own selective technique for documentation just as system structure the phase of accommodation of case till assent. The documentation and methodology are assorted with every impetus gave. This isn't the finish of their issues. Motivating forces are accessible at post shipment arrange however they are associated with the records created at the season of shipment. In the event that exporter does not give careful consideration at the time and phase of Export shipment in giving total and sufficient data in the reports legitimately, their cases for Export impetuses are unfavorably influenced. It is basic to the exporters to design cautiously in admiration of motivators, even at the season of shipment, however their advantages are accessible simply after finish of the shipment.

To Do Activity

- Observe any Export and find out the Incentives They Received from government and observe the documentation submitted for Export incentives

5.4 Foreign Exchange Regulations and Role of STO's in Foreign Trade

Foreign Exchange Regulation Act (FERA) was presented when outside trade (Forex) stores of the nation were low. FERA continued on assumption that all foreign trade earned by Indian occupants legitimately had a place with the Government of India and must be gathered and surrendered to the Reserve Bank of India (RBI). FERA basically precluded all exchanges that are not allowed by RBI. The target of FERA was to manage certain installment dealings in outside trade and securities exchanges that in a roundabout way influences foreign trade of import and fare of money and to moderate valuable outside trade and to streamline the correct usage of outside trade to advance the financial improvement of the nation.

Foreign Exchange

The instrument of changing over cash of one nation into another nation's money is known as Foreign trade for eg. In India Sec. 2 (h) of the Foreign Exchange Regulation Act (as revised by the Foreign Exchange Regulation Amendment Act, 1993) characterizes "Outside trade" as Foreign money and incorporates.

- All stores, credits and equalizations payable in any outside money, and any drafts, explorer's checks, letters of credit and Bills of trade, communicated or attracted Indian cash however payable in any foreign money.
- Any instrument payable, at the alternative of the drawee or holder thereof or some other gathering thereto either in Indian cash or in foreign money or mostly in one and incompletely in the other.

Outside trade incorporates foreign cash, balances abroad, the instruments claimable in outside money payable abroad.

Features of FERA

FERA connected to all subjects of India. The thought was to manage the outside installments that bargain the Foreign Exchange and securities and protection of Foreign trade for the country. RBI can approve an individual/organization to bargain in foreign trade and furthermore can approve the merchants to do execute the Foreign Currencies subject to audit. RBI was offered capacity to renounce the approval if there should be an occurrence of non compliancy. RBI approves Money Changers who will change over the cash of one country to money of other country at rates controlled by RBI. For whatever reason Foreign trade is required it must be utilized just for that reason. In the event that he feels that he can't utilize the cash for that specific reason he would pitch it to an approved merchant inside 30 days. A portion of the guidelines and confinements that are trailed by RBI are as per the following

- Restrictions on import and fare of certain cash
- Restrictions on installments that is unlawful
- Restrictions on managing in outside trade
- Payment for sent out products are finished by RBI
- Restrictions on issue of conveyor securities
- Restriction on settlement in other nation
- Restriction on holding of ardent property outside India
- Restrictions on the arrangement of specific people and organizations as operators for doing FOREX
- Restrictions on foundation of spot of business in India
- Permission of Reserve Bank required for rehearsing calling, and so forth in India by nationals of foreign States
- Restriction on securing, holding, and so on., of unfaltering property in India
- RBI has the Power to call for data of any individual archives like Indian cash, outside trade and books of record.
- Power to look presumed people and to seize records

Foreign Exchange Management Act

The Foreign Exchange Management Act, 1999 (FEMA) has been in power from 2000, subsequently supplanting the old Foreign Exchange Regulation Act (FERA) 1973.

Objective of the Act

The fundamental target of FERA was protection and appropriate usage of the foreign trade assets of the nation. It additionally looked to control certain parts of the direct of business outside the nation by Indian organizations and in India by foreign organizations. At the point when a business endeavor imports merchandise from different nations, sends out its items to them or makes ventures abroad, it bargains in foreign trade. Outside trade signifies 'foreign cash' and incorporates stores, credits and equalizations payable in any foreign money and also drafts, explorers, checks, letters of credit or bills of trade, communicated or attracted Indian cash however payable in any outside cash.

Purpose of the Act

The prelude to FEMA sets out the motivation behind the Act is to combine and alter the law identifying with foreign trade with the goal of encouraging outer exchange and installments and for advancing the deliberate improvement and upkeep of outside trade advertise in India. Method of reasoning for strict controls under FERA 1973. After Independence India was left with little forex holds and amid the oil Crisis of seventies expanding oil import charges additionally depleted foreign trade saves.

Extensively, the destinations of FEMA are to encourage outside exchange and installments and to advance the systematic improvement and support of foreign trade showcase. The Act has doled out an imperative job to the Reserve Bank of India (RBI) in the organization of FEMA. The guidelines, controls and standards relating to a few segments of the Act are set somewhere around the Reserve Bank of India, in interview with the Central Government. The Act requires the Central Government to delegate the same number of officers of the Central Government as Adjudicating Authorities for holding request relating to repudiation of the Act. There is likewise an arrangement for naming at least one Special Directors (Appeals) to hear claims against the request of the Adjudicating experts. The Central Government likewise sets up an Appellate Tribunal for Foreign Exchange to hear offers against the requests of the Adjudicating Authorities and the Special Director (Appeals). The FEMA accommodates the foundation, by the Central Government, of a Director of Enforcement with a Director and such different officers or class of officers as it supposes fit for taking up for examination of the repudiations under this Act.

Benefits of the Act

FERA was to control everything that was determined, identifying with foreign trade though FEMA set out that 'everything other than what is explicitly secured isn't controlled'. The superseding target of FERA was to direct and limit dealings in foreign trade and outside securities while FEMA then again expects to help in production of a liberal outside trade advertise in India.

This distinction in phrasing reflects reality of government towards deregulation of outside trade and advancement of free stream of universal exchange. To encourage outer exchange is concerned segment 5 of the Act evacuates limitations on withdrawal of foreign trade with the end goal of current record exchanges. As outside exchange for example imports/fare of merchandise and administrations include exchanges on current record, there is no requirement for looking for RBI authorizations regarding settlements including outside exchange.

The Difference between the Title, Fear and Feme of Legislation

In perspective on this change, the title of the enactment has appropriately been changed from 'Outside Exchange Regulation Act' to 'Foreign Exchange Management Act'. The principle change that has been brought is that FEMA is a common law, though the FERA was a criminal law. In basic word, for negation of arrangements under the FEMA capture and detainment would not be turn though it was the standard under the past demonstration. Extreme tenor of FERA can be checked from the way that it given to detainment for infringement of even exceptionally minor offenses.

FEMA is relevant to all parts of India. The demonstration is likewise material to all branches, workplaces and organizations outside India possessed or constrained by an individual who is an inhabitant of India. The FEMA head office, otherwise called Enforcement Directorate is arranged in New Delhi and is going by a Director. Foreign Exchange Act is vital for India for it to be an appropriate exchanging and keeps a sound connection with the outside world too.

Foreign Exchange Market in India

There is no physical market for foreign exchange and the Banks having forex business dealing with import/export customers, deal with each other through telephones, telex, Reuter system etc., and thus create a market for foreign exchange. In view of modern advancement of communication technology, the market is developing fast. But care should be taken to curb misuse. Such markets exist in India in Bombay. New Delhi, Calcutta, Madras, Bangalore, Hyderabad etc., the most important center being Bombay. Indian Forex market has been growing faster in the recent past to match the global market, a well functioning market with greater depth and maturity. The major currencies traded in us for-ex. market are U.S. Dollar (USD), Pound Sterling (GBP), Deutschemark (DM), Japanese Yen (JPY), French Francs (FRF), Swiss francs (CHF) etc.,

Modified Liberalized Exchange Rate Management System (LERMS)

The Balance of payment problems and the liquidity crisis in 1990 and 1991 brought about reforms in the economy with liberalization, sweeping all sectors including forex front. On March 1, 1992, RBI announced a new system of exchange rate known as Liberalized Exchange Rate Management System (LERMS).

With the introduction of LERMS in March 1992 U.S. dollar was adopted as intervention currency in the place of pound sterling. The rupee was partially with the introduction of dual exchange rate system. 60% foreign exchange remittances including export earnings were converted at market rates determined by the forces of demand and supply and the balance 40% were to be converted at official rate which was the rate quoted by RBI.

The 60% portion can be retained by the authorized dealer to sell in the market while the 40% is to be surrendered to the RBI. Certain imports by Government and import of life saving drugs were to be met at the market rates.

The dual exchange rate was abolished from March 1993 and the rupee was allowed to float relatively and the external value of rupee was determined entirely by the forces of demand and supply in the market official rate was abolished. The external value of rupees is calculated on the basis of market rates and even the RBI rates are quoted on the basis of market rate.

How Managed?

The Liberalized Exchange Rate Management System (LERMS) which became effective from 1st March 1992 has been modified with effect from March 1, 1993. The main features of the new arrangement are discussed below.

All foreign exchange transactions (receipts/payments both under current and capital accounts of Balance of payments) would be put through by authorized dealers at market determined rates of exchange. Foreign exchange receipts payments would, however, will be the subject to exchange control regulations. Foreign exchange receipts should be surrendered by residents to authorized dealers except where residents have been permitted, either under a general or special permission of RBI, to retain them either with banks in India, or abroad.

Authorized dealers will be free to retain the entire foreign exchange receipts surrendered to them for being sold for permissible transactions and are not required to surrender to RBI any portion of such receipts.

Government of India has issued a general order in super cession of all its pervious orders. Under Section 40 of the RBI Act, 1934, Pursuant to the order, RBI will sell to any authorized person at its offices/branches referred to there in, U.S. dollar for meeting foreign currency payments at its exchange rate based on the market rate, only for such purposes as are approved by the Central Government.

RBI will buy spot U.S. dollar from any authorized person at its offices/branches referred to in the aforesaid order at its exchange rate. RBI will not ordinarily buy spot Pound Sterling. Deutsche Mark or Japanese Yen. It will not ordinarily buy forward any currency. Any offer of foreign currency to the Reserve Bank will be governed by the provisions of the Exchange Control Manual.

No forward sale in any currency will be made by the RBI to authorized dealers. But will, be prepared to enter into swap transactions under which it will buy U.S. dollar spot and forward for two to six months.

The purchases/sales of U.S. dollar will be made by the RBI in multiples of U.S. dollar 5,000, with a minimum of U.S. dollar 25,000.

Advantages

- The new system is a step towards full convertibility of current account transactions with a view to reap the benefits to integrating the Indian economy with the world economy.
- The exchange rate reflects the true value of rupee as the rate is decided by the market forces of demand and supply.
- This system has removed a lot of trade restrictions and exchange controls.
- The expatriate Indians (NRI's)could get market exchange rates for their remittances which made capital inflows more attractive for NRI's
- This system was a great boon to the exporters as it provided incentive in the form of higher rate.
- This system, along with relaxation in exchange controls made havala business less attractive.

- The modified LERMS is a further step in the direction of freeing external transactions from cumbersome administrative controls. However, LERMS doesn't mean complete abolition of trade and exchange control but LERMS has opened up the economy and has brought about greater transparency in the exchange rate system.

State Trading Organization

State Trading Organization (STC) was established in May 1956. The main purpose of STC is to promote trade, primarily export trade among different trading partners of the globe. A huge number of local firms in India find it very difficult to compete in the global market.

In the meantime, the present trade routes are not suitable for the promotion of exports and bringing about diversification of trade with countries other than European countries.

The Main Functions of the S.T.C. are

Fig. 5.5 Functions of State Trading Corporation

The S.T.C. is also acting as an agent of the Government of India is controlling production, distribution and export and import of a number of commodities such as cement fertilizers etc. The state trading corporation has opened officers in many countries of the world so as to enable it to make effective marketing and obtain better terms of trade.

At the time of legislation of the law, India had shortage of foreign exchange (forex). The government then tried to restrict the exchanges, or dealings of India with foreign countries. But the rules and regulations had great impact on the import and export of currency.

There were several issues with this act those are

- Law violators were treated as criminal offenders.

- Wide power in the hand of Enforcement Directorate to arrest any person and seize any document (Corporate world found themselves at the mercy of E.D)
- Control everything that was specified related to foreign exchange and aimed for minimizing dealings in forex and foreign securities, etc.

With liberalization there has been a move to remove the measures of FERA and replace it with a set of foreign exchange management regulations. A draft for the Foreign Exchange Management Bill (FEMA) was prepared by the Government of India to replace FERA keeping in view of the Indian economy. However, until FEMA is enacted the provisions of FERA was applied. These are important basic information about Foreign Exchange Regulation Act (FERA).

Assignment

- Differentiate FERA and FEMA

To Do Activity

- Identify the Practices of your nearer trading Organization (STC)

5.5 EPZ, EOU, SEZ, Export and Trading House Schemes

Export Processing Zones (EPZ) in India was set up by the administration of India with the mean to start infrastructural improvement and assessment occasions in different modern areas in the nation. EPZ has ceaselessly quickened the financial development of the nation by guaranteeing a thriving export creation.

The export handling zones in India appeared not long after the political freedom, when India broadcasted the primary Industrial Policy Revolution in the year 1948. It was from that point that the genuine mechanical development started in India, which brought about the constitution of the export preparing zones later. Export advancement has dependably been the main worry of the administration of India and it entirely pursues the ISI arrangement while doing every one of its exercises. The fundamental explanations for setting up the EPZ in India have been recorded as under

- Ensuring better infrastructural offices in the modern s that were set up in the export handling zones in India
- Introducing the benefit of duty occasions
- Establishing 100 percent send out situated framework in the EPZ in India
- EPZ in India are totally without a wide range of obligations, imposes, and assesses
- Implementing charge occasions in the bringing in of merchandise like capital products, crude materials, and customer products too.
- The s in export preparing zones pursue the programmed course set by the legislature of India which offers 100 percent remote direct interest in the zone
- The rules set by the legislature of India are executed and actualized by the improvement magistrate of the individual export handling zones in India
- Some of the critical highlights of the Export Processing Zones in India have been counted as under
- The exercises that are completed in the EPZ in India are not at risk to be authorized separated

from the IT empowered segments

- The s set up in the export handling zones in India can choose their ideal areas by following certain parameters as recommended by the state governments
- The send out handling zones in India religiously pursues the dynamic export import approach
- The s in EPZ in India are absolutely specially reinforced
- The proposition for the s in Export handling zones in India are qualified for pursue the programmed course for endorsement as authorized by the state governments
- The proposition which don't fall under the method of programmed course framework are represented or affirmed by the FIPB
- The exercises in EPZ in India having a place with the Domestic Tariff Area segment are changed over into Export situated s to meet the parameters set for the export generation by the administration
- 100 percent FDI is conceded to these zones

Export Oriented (EOU)

The Export Oriented (EOUs) conspires, presented in mid1981, and is integral to the SEZ plot. It receives a similar creation routine yet offers a wide choice in areas with reference to factors like wellspring of crude materials, ports of export, hinterland offices, accessibility of mechanical aptitudes, presence of a modern base and the requirement for a bigger region of land for the undertaking. As on 31st December 2005, 1924 s are in activity under the EOU plot.

Objectives of the EOU

The fundamental goals of the EOU plot is to build trades, acquire outside trade to the nation, exchange of most recent advancements animate direct remote venture and to produce extra business.

Major Sectors in EOUs

Major sectors are Rock, Textiles/Garments, Food Processing, Chemicals, Computer Software, Coffee, Pharmaceuticals, Gem and Jewelry, Engineering Goods, Electrical and Electronics, Aqua and Pearl Culture.

EOU Activities

At first, EOUs were chiefly gathered in Textiles and Yarn, Food Processing, Electronics, Chemicals, Plastics, Granites and Minerals/Ores. However, at this point multi day, EOU has expanded it region of work which incorporates capacities like assembling, overhauling, advancement of programming, exchanging, fix, redoing, reconditioning, redesigning including creation of gold/silver/platinum adornments and articles thereof, agribusiness including agro handling, aquaculture, creature farming, bio-innovation, gardening, cultivation, pisciculture, viticulture, poultry, sericulture and rocks.

Need for Special License

To set up an EOU for the accompanying divisions, an EOU proprietor needs a unique permit. Arms and ammo, Explosives and things of safeguard gear, Defense flying machine and warships, Atomic substances, Narcotics and psychotropic substances and dangerous synthetic concoctions, Distillation and fermenting of mixed beverages, Cigarettes/stogies and made tobacco substitutes.

In the above notice cases, EOU proprietor are required to present the application structure to the improvement Commissioner who will at that point put them up to the Board of Approvals (BOA).

Choosing the Location for EOU

EOUs can be set up anyplace in the nation and might be occupied with the assembling and generation of programming, gardening, cultivation, farming, aquaculture, creature cultivation, pisciculture, poultry and sericulture or other comparable exercises.

In any case, it ought to be noticed that in the event of substantial urban commies where the populace is more than one million, for example, Bangalore and Cochin, the proposed area ought to be no less than 25 km far from the Standard Urban Area points of confinement of that city except if, it is to be situated in a territory assigned as a "modern zone" before the 25th July, 1991. Non dirtying EOUs, for example, hardware, PC programming and printing are absolved from such limitation while picking the region.

Aside from nearby zonal office and state government, setting up of an EOU is additionally entirely guided by the ecological tenets and directions. In this manner, a regardless of whether the EOU has satisfied all locational arrangement yet not reasonable from ecological perspective then the Ministry of Environment, Government of India has directly to drop the proposition. In such circumstance industrialist would be required to comply with that choice.

EOU Obligations

The EOUs are required to accomplish the base NFEP (Net Foreign Exchange Earning as a Percentage of Exports) and the base EP (Export Performance) according to the arrangements of EXIM Policy which fluctuate from segment to segment. Concerning occurrence, the s with interest in plant and apparatus of Rs.5 crore or more are required to accomplish positive NFEP and export US$ 3.5 million or multiple times the CIF estimation of imported capital merchandise, whichever is higher, for a long time. For gadgets equipment area, least NFEP must be 'certain' and least EP for a long time is US$ 1 million or multiple times the CIF estimation of imported capital merchandise, whichever is higher. NFEP is determined in total for a time of 5 years from the beginning of business generation as per a recommended recipe.

Bonding Period of EOU

The EOUs are authorized to make merchandise inside the reinforced time span with the end goal of export. According to the Exim Policy, the time of holding is at first for a long time, which is extendable to an additional five years by the Development Commissioner. Be that as it may, on a demand of EOU, time span can likewise be reached out for an additional five years by the Commissioner/Chief Commissioner of Customs.

To encourage the smooth working of the EOU s, the Development Commissioners will fix time limits for concluding the transfer of issues identifying with EOUs. New s occupied with export of Agriculture/Horticulture/Aqua Culture items have been currently permitted to expel capital merchandise contributions to the DTA on creating bank ensure proportionate to the obligation predestined on the capital products/input proposed to be taken out. The EOU s in Textile Sector are permitted to arrange off the left-over material/textures up to 2 percent of Cost Insurance Freight

(CIF) estimation of imports, on committal premise. Perceiving that settling the records for each committal is mind boggling and tedious it has been chosen to permit transfer of left-over material based on earlier year's imports

Special Economic Zones (SEZ)

India was one of the first in Asia to perceive the adequacy of the Export Processing Zone (EPZ) demonstrate in advancing exports, with Asia's first EPZ set up in Kandla in 1965. So as to defeat the deficiencies experienced by virtue of the assortment of controls and clearances nonappearance of world class foundation, and a flimsy financial routine and so as to pull in bigger outside interests in India, the Special Economic Zones (SEZs) Policy was declared in April 2000.

This strategy proposed to make SEZs a motor for financial development bolstered by quality foundation supplemented by an alluring monetary bundle, both at the Center and the State level, with the base conceivable controls. SEZs in India worked from 1.11.2000 to 09.02.2006 under the arrangements of the Foreign Trade Policy and financial motivations were made successful through the arrangements of pertinent resolutions.

To give trust in speculators and flag the Government's responsibility to a stable SEZ arrangement routine and so as to grant solidness to the SEZ routine in this manner creating more noteworthy monetary action and work through the foundation of SEZs, a complete draft SEZ Bill arranged after broad exchanges with the partners. Various gatherings were held in different parts of the nation both by the Minister for Commerce and Industry just as senior authorities for this reason. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which got Presidential consent on the 23rd of June, 2005. The draft SEZ Rules were broadly talked about and put on the site of the Department of Commerce offering proposals/remarks. Around 800 recommendations were gotten on the draft rules. After broad interviews, the SEZ Act, 2005, upheld by SEZ Rules, happened on 10 February, 2006, accommodating drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.

The main objectives of the SEZ Act are

Fig.5.6 Objectives of SEZ

It is normal that this will trigger an expansive stream of outside and residential interest in SEZs, in foundation and gainful limit, prompting age of extra monetary action and formation of work openings. The SEZ Act 2005 conceives key job for the State Governments in Export Promotion and production of related foundation. A Single Window SEZ endorsement instrument has been given through a 19 pact between ecclesiastical SEZ Board of Approval (BoA). The applications appropriately suggested by the individual State Governments/UT Administration are considered by this BoA occasionally. All choices of the Board of endorsements are with agreement.

The SEZ Rules accommodate diverse least land necessity for various classes of SEZs. Each SEZ is partitioned into a preparing region where alone the SEZ s would come up and the non handling zone where the supporting framework is to be made.

The SEZ Rules Provide for

"Disentangled strategies for improvement, task, and upkeep of the Special Economic Zones and for setting up s and directing business in SEZs

- Single window freedom for setting up of a SEZ
- Single window freedom for setting up a in a Special Economic Zone
- Single Window freedom on issues identifying with Central just as State Governments
- Simplified consistence systems and documentation with an accentuation on self confirmation

Administrative Set Up

The working of the SEZs is represented by a three-level regulatory set up. The Board of Approval is the zenith body and is going by the Secretary, Department of Commerce. The Approval Committee at the Zone level manages endorsement of s in the SEZs and other related issues. Each Zone is going by a Development Commissioner, who is ex-officio executive of the Approval Committee.

When a SEZ has been affirmed by the Board of Approval and Central Government has informed the territory of the SEZs are permitted to be set up in the SEZ. Every one of the recommendations for setting up of s in the SEZ are affirmed at the Zone level by the Approval Committee comprising of Development Commissioner, Customs Authorities and agents of State Government. All post endorsement clearances including award of merchant exporter code number, change for the sake of the organization or actualizing office, expansive banding enhancement, and so forth are given at the Zone level by the Development Commissioner. The execution of the SEZ s are occasionally checked by the Approval Committee and s are obligated for reformatory activity under the arrangement of Foreign Trade (Development and Regulation) Act, if there should arise an occurrence of infringement of the states of the endorsement.

Export and Trading House Schemes

Export/Trading/Star Trading/Super Star Trading Houses have been agreed extraordinary status. At the point when exporters accomplish the predetermined dimension of exports over a period, they might be perceived as EH/TH/STH/SSTH. The exporters, enrolled with FIEO or EPC are qualified for this reason. The export execution criteria might be founded on either f.o.b. estimation of exports or net remote trade income. Give us a chance to talk about them in detail.

EH/TH/STH/SSTH is entitled to the following special benefits

1. Import Facilities
2. Marketing Development assistance
3. Foreign Currency Accounts
4. Foreign Exchange Facilities
5. Other facilities like training of personnel, trade delegation, exemption from preshipment inspection, green channel facility, etc.

Fig.5.7 Benefits of EH/TH/STH/SSTH

Export Schemes

Name of the Scheme	Description
Assistance to States for Infrastructure Development of Exports (ASIDE)	The State Governments will be urged to take an interest in advancing fares from their separate States. For this reason, Department of Commerce has detailed a plan called ASIDE. The States will use this sum for creating framework, for example, streets interfacing generation focuses with the ports, setting up of Inland Container Depots and Container Freight Stations, making of new State level fare advancement modern parks/zones, enlarging basic offices in the current zones, value support in foundation ventures, improvement of minor ports and breakwaters, help with setting up of normal emanating treatment offices, settling power supply and some other action as might be informed by Department of Commerce every once in a while.
Market Access Initiative (MAI)	The Market Access Initiative (MAI) conspire is expected to give budgetary help to medium term send out advancement endeavors with a sharp spotlight on a nation and item. The money related help is accessible for Export Promotion Councils, Industry and Trade affiliations, Agencies of State Governments, Indian Commercial Missions abroad and other qualified substances as might be informed every now and then. An entire scope of exercises can be financed under the MAI plot. These incorporate markets contemplate, setting up of showroom/distribution center, deals advancement crusades, worldwide departmental stores, exposure battles, cooperation in universal exchange fairs, brand advancement, enlistment charges for pharmaceuticals and testing charges for building items and so on. Every one of these fare advancement exercises can get money related help from the Government going from 25% to 100% of the complete expense contingent on the movement and the executing organization, as demonstrated in the point by point rules.

Marketing Development Assistance (MDA)	The Marketing Development Assistance (MDA) Scheme is planned to give money related help to a scope of fare advancement exercises actualized by fare advancement boards, industry and exchange relationship all the time each year. According to the modified MDA rules with impact from first April,2004 help under MDA is accessible for exporters with yearly fare turnover upto Rs 5 crores. These incorporate investment in Trade Fairs and Buyer Seller meets abroad or in India, send out advancement classes, and so on Further, help for support in Trade Fairs abroad and make a trip allow is accessible to such exporters on the off chance that they travel to nations in one of the four Focus Areas, for example, , Latin America, Africa, CIS Region, ASEAN nations, Australia and New Zealand. For support in exchange fairs, and so forth, in different territories money related help without movement concede is accessible.
Meeting Legal expenses for Trade related matters	Budgetary help would be given to meriting exporters on the proposal of Export Promotion Councils for meeting the expense of legitimate costs identifying with exchange related issues.
Towns of Export Excellence	Various towns in explicit topographical areas have risen as powerful mechanical bunches contributing liberally to India's fares. It is important to concede acknowledgment to these modern groups with the end goal of amplifying their potential and empowering them to move higher in the esteem chain and tap new markets. Chosen towns creating products of Rs. 1000 crore or more will be informed as Towns of Exports Excellence based on potential for development in fares. Anyway for the Towns of Export Excellence in the Handloom, Handicraft, Agriculture and Fisheries part, as far as possible would be Rs 250 crores.
Brand Promotion and Quality	The Central Government intends to urge makers and exporters to accomplish universally acknowledged models of value for their items. The Central Government will stretch out help and help to Trade and Industry to dispatch an across the country program on quality mindfulness and to advance the idea of absolute quality administration.
Test Houses	The Central Government will aid the modernization and upgradation of test houses and research facilities so as to carry them at standard with universal guidelines.
Quality Complaints/ Disputes	The Regional Sub Committee on Quality Complaints (RSCQC) set up at the Regional Offices of the Directorate General of Foreign Trade will research quality grievances got from remote purchasers.
Trade disputes affecting trade relations	On the off chance that it goes to the notice of the Director General of Foreign Trade or he has motivation to trust that a fare or import has been made in a way that (I) is gravely biased to the exchange relations of India with any remote nation or (ii) Is gravely biased to the enthusiasm of different people occupied with fares or imports (iii) has conveyed unsavoriness to the nation

<table>
<tr>
<td>Star Export House</td>
<td>Trader just as Manufacturer Exporters, Service Providers, Export Oriented s (EOUs) and s situated in Special Economic Zones (SEZs), Agri Export Zone (AEZ's), Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio Technology Parks (BTPs) will be qualified for applying for status as Star Export Houses.
Status Category
The candidate will be sorted relying upon his allout FOB/FOR fare execution amid the current in addition to the past three years.
<table>
<tr><th>Category</th><th>Performance (in rupees)</th></tr>
<tr><td>One Star Export House</td><td>15 crores</td></tr>
<tr><td>Two Star Export House</td><td>100 crores</td></tr>
<tr><td>Three Star Export House</td><td>500 crores</td></tr>
<tr><td>Four Star Export House</td><td>1500 crores</td></tr>
<tr><td>Five Star Export House</td><td>5000 crores</td></tr>
</table>
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(Source http//dgftcom.nic.in)

Assignment

1. Contact a trading house located in your city and find out the difficulties faced. Evaluate the effectiveness of the policy incentives received.
2. Visit an export house located in SEZ. Find out the incentives availed and constraints faced in its operation. Identify the key factors that have affected its operational viability.

Summary

Export growth has become main determinant of economic growth. With the increasing requirements of imports, exports have now emerged as the only viable source of meeting the foreign exchange needs. Governments of India have provided various incentives for export promotion. Export Promotion policy includes (i) Policies for increasing investment and production in export sector (ii) Price support measures for rendering exports more competitive, and (iii) measures for strengthening marketing effort by the export sector. There has been relaxations m industrial licensing policy/MRTP/FERA/foreign collaboration to increase the flow of production and investment resources into the export sector. Apart from the provisions made for liberal import of capital goods, Export Processing Zones, Export oriented s have been given completely license free and duty free import facilities for all production inputs. Duty Free Incense schemes have been granted to the registered exporters for supplies of adequate quantities of material inputs required for export. Export House, Trading House, Star Trading House and Super Star Trading House have been given special facilities to promote the export business.

Important Questions

1. Define Risk and Types of risks associated with Export Business?

2. How can we apply the risk assessment to Waste management?
3. How can we Control the risk in Waste Management?
4. Explain the Risk Mitigation strategies.
5. Explain the measures of risk mitigation.
6. Explain Risk Mitigation Planning
7. Explain the types of Incentives for exporters.
8. Explain Duty Drawback Scheme.
9. What are the duty exemption and remission schemes for exports?
10. Explain FEMA.
11. Explain FERA
12. What are the functions performed by the State Trading Organizations?
13. Define EPZ. Explain the Reasons behind to setup the EPZ's
14. Explain the role of SEZ's in Exports in India.
15. Explain the types of Export Schemes.
16. Explain Status category of Star Trading House.

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Block 4

Entrepreneurship in Waste Management

Swachhta Action Plan

सत्यमेव जयते

Mahatma Gandhi National Council of Rural Education

Department of Higher Education

Ministry of Human Resource Development, Government of India

Hyderabad - 500004

Where there is Rural Wellbeing there is Universal Prosperity

Contents

Chapter 1 Entrepreneurship Introduction

Structure

1.1 Introduction to Entrepreneurism

Entrepreneurs create new business. Entrepreneurism is the process of starting a business through some innovative means. An entrepreneur can also be someone who develops a business model or someone who buys up an ongoing company with the intention of building or diversifying within the existing structures. An entrepreneur develops multiple business strategies. Entrepreneurs are inventors of goods and services

Entrepreneurs create social change. They break tradition with unique inventions that reduce dependence on existing methods and systems, sometimes rendering them obsolete. Entrepreneurs invest in Community projects and help charities and other non-profit organizations, supporting causes beyond their own. The process of creating or building an enterprise is called as Entrepreneurship. The successful combination of innovation along with resources - translating a vision into reality, through strategic management practices can be called as Entrepreneurship.

Entrepreneurship development is the process of improving entrepreneurial skills. One can learn about various requirements to become successful as an entrepreneur. There are two primary reasons why studying entrepreneurship makes sense you learn to think like an entrepreneur and you develop a vision for life. Skilled human resources include finance, marketing, production, sales and personnel.

These skills can be acquired through formal training programs or through an acumen either gained by experience or intuitively. These include conducting opportunity analysis, developing a business plan, starting a small business, acquiring financing to start the company, and scaling the business. An entrepreneur should have an understanding of some key business skills such as accounting and finance, marketing, and strategy development.

Entrepreneurship has been a well-defined area within economic theory since Schumpeter published his work in 1911. Joseph A. Schumpeter has described an Entrepreneur as an innovator, according to Schumpeter as cited in (Pahuja, A, 2015)[1]. Three important definitions are given below that highlights aspects that are important to entrepreneurism.

The function of the entrepreneur is to reform or revolutionize the patter on of production by exploiting an invention or, more generally, an untried technological method of producing a new commodity or producing an old one in a new way, opening a new source of supply of materials or new outlet for products, by organizing a new industry.

- Joseph A. Schumpeter

Entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled.

- Harvard School of Business

An entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity.

- Peter F. Drucker

The difference between an owner of any other enterprise and an entrepreneurial concern is distinctly stated in the various definitions. The definitions clearly indicate that the entrepreneur is someone who creates wealth through an innovative approach. The innovative aspect is something that is unique to the entrepreneur. This does not mean that the entrepreneur has to be an inventor. It merely means that the entrepreneur looks at the problem and finds a different way of resolving it. There may be an existing method but by making small changes or by tweaking the solution, process or outcome a whole new approach is ensured. The ultimate goal of the entrepreneur is to create an enterprise for the following purpose either individually or collectively.

- To develop a new end product
- To create a more cost/energy/time effective process than hitherto used
- To utilize an unusual or new raw material or
- To devise a creative funding mechanism

The world has seen Entrepreneurial giants especially in this age of Information Technology like Steve Jobs or Bill Gates and India are Dr. Varghese Kurian or Dhirubhai Ambani.

There is an element of risk involved when an entrepreneur starts a business. These risks can be physical, financial, social or emotional in nature. An entrepreneur works for him or her own enterprise takes on a major risk as compared to an employee of any other organization. This large personal

[1]Pahuja, Anurag. (2015). *Introduction to Entrepreneurship*

investment means that the struggle and pressure to ensure short and long term success is large. The flipside of the issue is that they create new jobs, a new product and a larger income or wealth for themselves in the long run the entrepreneur helps the nation to cope with the problem of unemployment.

An important uptake of this is the increase in employment opportunities in country. The few information technology companies and businesses began in India in the 1990's alongside were the call centre operations and hardware providers also started their businesses many small enterprises offered support services especially like maintenance and repairs. As a result, the ripple effect was felt by the economy as a whole.

To do what is necessary to start an organization will involve all the steps i.e., to move from an idea into reality is the process. There are several steps needed that will give clarity to a potential entrepreneur. Some of the questions that require an answer are and it would be an exercise that all new/potential entrepreneurs should do.

Characteristics of an Entrepreneur

A recently conducted study by Target training international tried to identify the traits of a serial entrepreneur. Five different traits were observed to be dominant as compared to the working adults.

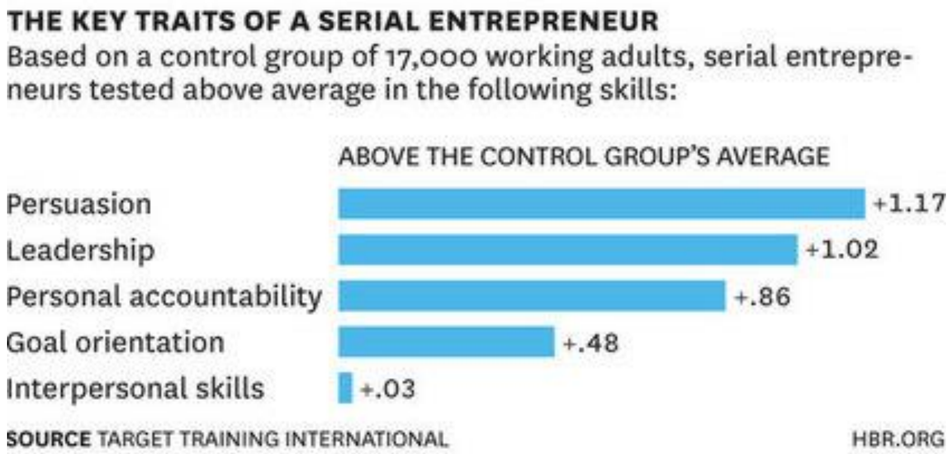

Figure 1.1 Traits of a Serial Entrepreneur

Source: Bonnstetter, B. J. (2012). New research: the skills that make an entrepreneur. Harvard Business Review, 90(12), 7.

Functions of an Entrepreneur

Entrepreneurs often find them filling different shoes over their journey as an entrepreneur. The key function of the entrepreneur starts with innovation. The entrepreneur identifies a gap in the market/ unsatisfied need of the customer and creates a product or a service to address that. Given the high-risk nature of entrepreneurship as discussed earlier, the assessment and assuming of risk is the second most important function of the entrepreneur. This is closely related to and followed by the analysis of opportunities and threats.

Figure 1.2

Source: Pahuja (2015), https://www.researchgate.net/figure/Functions-of-Entrepreneur_fig1_301659818, March, accessed on 2/29/2019 at 1:15 p.m.

The remaining functions of the entrepreneur include creating and implementing a business plan, stabilizing the venture and then moving it towards higher growth trajectory. Doing this includes supervision, control, and planning. The set of functions described above also imply that the entrepreneur has to possess certain characteristics. These include the ability to innovate, take risks, plan, manage, and lead.

This section starts with the definition of an entrepreneur and entrepreneurship. It then moves on to talk about the evolution of entrepreneurship over time. We close with an understanding on the characteristics and functions of an entrepreneur.

To Do Activity

Talk to any entrepreneur accessible to you. Understand how they assessed the risk of starting their venture. What was their biggest worry and how did they manage that risk? Write this into a half-page report.

Entrepreneurs, Businessmen, Leaders, and Managers

Manager, leader, businessman, and entrepreneur are words that are often used interchangeably. It is very important to understand the differences.

Difference between an Entrepreneur and a Businessman

An entrepreneur is someone who comes up with an innovative idea and follows unconventional methods to execute it. A businessman is someone who follows the defined path set by an entrepreneur to achieve profitability. Entrepreneur and businessman are used interchangeably but there are a number of differences between the two, which have been summarized in the table below:

Table 1.1 Difference between an Entrepreneur and a Businessman

Factors	Entrepreneur	Businessman
Definition	An entrepreneur is a person who comes up with a new innovative idea and executes it	They follow the predefined path set by entrepreneurs and work on unoriginal ideas
Position	Market Leader	Market Follower
Associated Risk	High	Low
Path undertaken	An entrepreneur is the one that defines a path	A businessman follows the path defined by an entrepreneur
Market Competition	Low	High
Focus priority	People	Profitability
Market Orientation	Creates new market	Works in existing market

Similarly, while an entrepreneur needs to have and needs to display leadership skills to build their venture from an idea into an organization, there a difference between the two.

Table 1.2 Difference between an Entrepreneur and a Leader

Factors	Entrepreneur	Leader
Definition	An entrepreneur sees value in the ideas	A leader influences the people to achieve the organizational goals.
Vision	Opportunity seeking	Achievement of personal as well as organizational goals.
Focus	People	Change
Innovation	About ideas	About influence
Territory	Enterprises	Social Systems
Planning	Mentally aware	High impact on performance makes planning a focus area

Again, while the entrepreneur has managerial responsibilities as part of her overall roles, there are multiple differences between an entrepreneur and a manager, the most important of which are listed below.

Table 1.3 Difference between an Entrepreneur and a Manager

Factors	Entrepreneur	Manager
Definition	A visionary using unconventional methods to realize economic value	An employee who manages the business without taking many risks
Focus priority	Nurture an idea into a business	Manage the business
Motivation	Achievements	Position of power
Associated Risk	High	Low
Reward	Profitability	Salary and bonus

Task management	Informal	Formal
Approach	Innovating	Maintaining status quo

We have seen how entrepreneurs differ from a manager, a leader, and a businessman. At the same time, we also see that the role of an entrepreneur requires her to at time wear the hat of a manager or that of a leader or that of a businessman depending on the stage of the entrepreneurial venture and the function being performed by the entrepreneur at that point in time.

To Do Activity

Talk to the manager of any firm accessible to you. Understand the key issues that the managers face. Do they look similar to the risks the entrepreneur discussed in the interview you did as part of Unit 1 Hands-on Activity? Write this into a half-page report.

1.2 Entrepreneurial Models and Classification of Entrepreneurs

Entrepreneurship is the attempt to generate value of a business opportunity, through risk management, management of skills to mobilize resources (human, financial and material) necessary to bring a project to fruition (Kao and Stevenson, 1984). The word, 'Entrepreneurship' means the function of identifying investment and production opportunity, embark up on new production process, arranging the supply of raw materials and labour, raising capital, finding location, introducing novel techniques, discovering new sources of raw materials and selecting managers for day to day operations of the enterprise (Higgins, 1997).Kao, J.J (1989) developed a conceptual model of entrepreneurship which is represented in the below figure (fig 1.1).

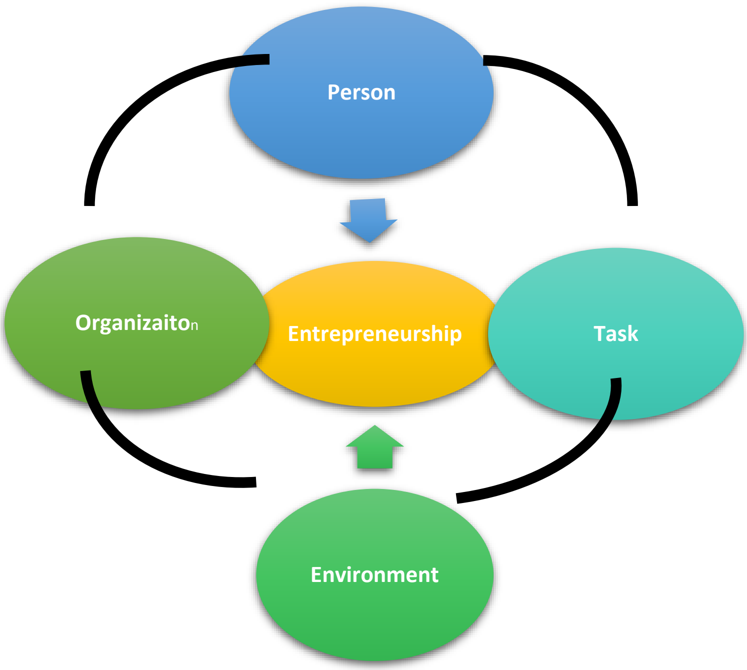

Fig 1.3 Conceptual Model of Entrepreneurship

The above model has four critical aspects. One is overall success of an enterprise depends upon the skills, qualities, traits, and determination of the person involved. Second, major task of an entrepreneur is to recognise and exploit opportunities. Third is entrepreneurial environment which involves availability of resources, infrastructure, competitive pressures, social values, rules and regulations, etc. The fourth is organisational context, which involves the structure, rules, policies, culture, human resources and communication system. Kao (1989) also emphasizes that the most successful entrepreneur would be the one who adapts himself / herself to the changing needs of the environment and makes it cordial for the growth of the business enterprise.

Brief Overview of Entrepreneurship Models in Recyclable Solid Waste Management

We cyclers Corporation: The operating area of We cyclers is Nigeria, which is an underdeveloped country, and the company caters to the poorest communities. We cyclers encourages, people from these communities to segregate and store waste of value, like paper, plastic, etc. The waste collected can be exchanged for something of value. The corporation is funded by MIT Ideas Global Challenge, Coca Cola and other organizations.

Terra Cycle: Terra Cycle, mostly operates in developed countries, where infrastructure is developed and where already people have awareness and motivation. Terra Cycle works with various stakeholders in the supply chain to create and provide logistics for the smooth flow of recyclables, along with incentivising recycling activity. Operations are mostly subsidized by the corporations and brand partners, thereby providing a constant stream of revenues, which will also benefit them in building their image. Terra Cycle collects around a million waste articles every three to four hours from 23 countries. Items are collected by approximately 50 million people.

Discussions and theoretical study of entrepreneurial models are necessary to better understand the person and process behind the growth and sustenance of entrepreneurship itself. There are five different types of classification of entrepreneurs viz.

a) Entrepreneurs according to the type of business
b) Entrepreneurs based on their use of technology
c) Entrepreneurs classified on motivational levels
d) Entrepreneurs based on their growth levels of the enterprise
e) Entrepreneurs and Stages of Development

Entrepreneurs According to the Type of Business

Entrepreneurs are found in various types of business occupations of varying size; we may broadly classify them as follows

Business Entrepreneur These are individuals who an idea for a new product or service and then create a business to ensure the idea is translated into reality. The size of the may depend on their resources. These entrepreneurs are called business entrepreneurs e.g. printing press, textile processing house, advertising agency, readymade garments or confectionery.

Trading Entrepreneur The trading entrepreneur restricts his activity to trading activities and does not undertake to do any kind of manufacturing work. He identifies potential markets, and creates a demand for the product line. Such entrepreneurs may include both domestic and overseas trade. Such entrepreneurs have larger s and better access to resources.

Industrial Entrepreneurs Industrial entrepreneur is a manufacturer looks for a potential market and then develops a product to meet the need. The product may be a new tailor-made method/ process or an existing product that is used innovatively.

Corporate Entrepreneur Corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing an existing corporate undertaking. A corporate entrepreneur is thus an individual who plans, develops and manages a corporate body.

Agricultural Entrepreneur Agricultural entrepreneur are those entrepreneurs where the product or process is targeted towards the agricultural sector such as innovative marketing of crops, fertilizers, irrigation techniques and application of technologies for dry land agriculture post-harvest technologies and products other inputs of agriculture.

Entrepreneurs in Technology
These entrepreneurs are segregated on the basis of use of technology as follows

Technical Entrepreneur A technical entrepreneur concentrates more on production than marketing. A technical entrepreneur is essentially compared to a “craftsman.” They develop a more refined quality of goods. The technical entrepreneur has an innovative approach in production techniques which is constantly evolving.

Non-Technical Entrepreneur These entrepreneurs develop a better method of both introducing the product into the market environment through alternative marketing and distribution strategies.

Professional entrepreneurs A professional entrepreneur is interested in establishing a business but shows less interest in running the. A professional entrepreneur sells out the running business and starts another venture with the sales proceeds.

Entrepreneurs and Motivation
Pure Entrepreneur A pure entrepreneur is motivated by psychological and economic rewards. i.e. for his personal satisfaction in work and status.

Induced Entrepreneur The policy of a government or incentives, concessions is the motivation for entrepreneurial. In such cases the resources are the incentive - financial, technical and several other facilities provided to them by the state agencies to promote entrepreneurship.

Motivated Entrepreneur New entrepreneurs are motivated by the desire for fulfillment. They come into being because of the possibility of making and marketing some new product for the use of customers. If the product is developed to saleable stage, the entrepreneur is further motivated by reward in terms of profit.

Spontaneous Entrepreneur These entrepreneurs depend on their unique talents o start their enterprise. They are persons with initiative and confidence in their ability which motivate them to undertake entrepreneurial activity.

Growth and Entrepreneurship
Growth Entrepreneur Growth entrepreneurs are those who take up high growth industry which has substantial growth prospects.

Super Growth Entrepreneurs Super growth entrepreneurial organizations are those that have shown enormous growth of performance in their venture. Their growth s identified by the liquidity of funds and profitability. Such organizations have either a highly resourceful leader with the ability to generate resources with great ease.

Entrepreneurs and stages of Development

Entrepreneurs may also be classified as the first-generation entrepreneur, modern entrepreneur and classical entrepreneur depending upon the stage of development.

First-Generation Entrepreneur A first generation entrepreneur starts an by innovative skills but combines different technologies to produce a marketable product or service.

Modern entrepreneur A modern entrepreneur undertakes those ventures which go well along with the changing demand in the market.

Classical Entrepreneur A classical entrepreneur is one who is concerned with the customers and marketing needs. Such an entrepreneur aims to maximize returns with a matching level of concern for the survival of the firm with or without an element of growth.

1.3 Nature, Characteristics and Qualities of Entrepreneurs

Ability to plan Entrepreneurs must be able to develop business plans to meet goals in a variety. There has always been a question on whether an entrepreneur is born and not made. Why do some individuals excel as entrepreneurs while others don't? Several research studies have been carried out to identify the characteristics/traits of a true entrepreneur. There are no hard and fast rules on this subject. There have been some universally accepted characteristics that have been found in all entrepreneurs. An aptitude is an inherent natural ability to do a particular type of work or activity well. An attitude is a way of viewing or thinking about something that affects how you feel about it. Entrepreneurs tend to be people with positive attitudes. Therefore, many positive qualities can be associated with them.

There are nine characteristics of entrepreneurs and the entrepreneurial journey. They include motivation, creativity, hands-on, versatility, business skills, drive, vision, flexibility, and decisiveness. No one can quite put their finger on what differentiates them from others.

These characteristics along with certain personality traits such as courage, determination, persistence, creativity, curiosity, discipline, enthusiasm, flexibility, honesty, patience, and responsibility determine whether an individual will become a successful entrepreneur. Are they born with these or do life's circumstances and experiences helps a person to acquire these characteristics we can never be quite certain?

One of the major responsibilities of an entrepreneur is to decide the direction where the business should go. That requires a strong vision on the part of an entrepreneur. Successful entrepreneurs have the creative ability to recognize and pursue opportunities. They are always on a look out for new ways of doing things, launching new products, providing new services etc. Clarity in setting objectives helps them to translate their business idea into reality.

Entrepreneurs should be passionate about their products cause or service. They should have high energy levels and willing to take initiatives. Establishment of any venture involves risk and an entrepreneur has to assume risk. The entrepreneur should anticipate changes and must be able to study and evaluate various situations under which decisions have to be made.

The most important personality factors contributing to the success of any entrepreneur include emotional stability, maturity, consideration for others tactfulness. An entrepreneur like a good sales or marketing person has to maintain good relations with his customers so as to encourage them to continue to patronize his business. He must also maintain good relations with his employees so as to motivate them to perform with a high level of efficiency

Skills, on the other hand are an ability that can be learnt or adapted through training and practice. Entrepreneurial skills combine a range of technical, management and personal skills. As such, there is no established, simple definition of the entrepreneurial skill-sets. There are three dimensions to skills.

- Interpersonal skills
- Business oriented skills
- Expertise or knowledge-based skills.

Interpersonal Skills

Persons with strong interpersonal skills are more successful in both their professional and personal lives. Interpersonal skills are basically a better understanding of how they should interact with other essential in their life. These largely depend on a combination of both verbal and non verbal communication, listening, questioning and understanding cues of body language.

Business Oriented Skills

Communication skill, computer skills, decision-making and problem-solving skills, organizational skill and research skills or skill in acquiring information are a few of the skills and are very similar to skills that are needed for successful entrepreneurs. These are not unique to entrepreneurs these are life skills and among these the skills in communication not merely to get along with others but an innate ability to convey ideas thoughts is primary. Entrepreneurs should be able to explain, discuss, sell and market their ideas if they have to succeed. Good marketing skills will result in people wanting to buy the goods or services are critical to entrepreneurial success.

Expertise or Knowledge or Technical Based Skills

The difference between expertise and knowledge is very subtle. Knowledge is information acquired through experience or education. Mere information is not sufficient to be an expert. Similarly experience is also not expertise. Experience is doing a task for a long duration and often doing it well. But the expert is someone with both knowledge and the ability to translate that knowledge into practice with a committed motivation that makes them a leader in a field and have a level of skill that goes beyond knowledge.

1.4 Business Entrepreneurs vs. Social Entrepreneurs

The concept of business is economic activities with a priority aim to create profit. On the other hand social entrepreneurs directly address social needs through their products and services or through the numbers of disadvantaged people they employ. Social entrepreneurship is, at its most basic level, doing business for a social cause. Social entrepreneurs combine commerce and social issues in a way that improves the lives of people. Social entrepreneurs are the individuals who work or strive for the good of community. The social problems surrounding them are the reason for their entrepreneurial motivation. Social entrepreneurs when compared to business entrepreneurs who are driven by various factors such as financial profit, creating new business ideas or expanding their businesses, their success is not measured by profit margins alone social entrepreneurs can be deemed to be successful if they have improved the world. However, there are various thoughts on social entrepreneurship. It applies also to businesses that make money and work toward improving a social problem or solve a social problem using grant or government money is also social entrepreneurship concerns.

In the “earned income” model where the social entrepreneur makes money by selling something the buyers know that their purchase will help support a cause, whether it’s providing soap to children in need so hand washing can protect them from diseases. People are often attracted to businesses that use a social entrepreneurship model because they’re helping to solve a social problem when they spend money on something they buy.

Social entrepreneurs are beyond “socially responsible businesses” - a socially responsible business “create positive social change indirectly through the practice of corporate social responsibility” (e.g., creating and implementing a philanthropic foundation paying equal wages for equal work using environmentally friendly raw materials providing volunteers to help with outreach programs).” A not for profit organization or NGO that runs a food stall but does not employ disadvantaged workers is not a social entrepreneurial concern. Similarly, lawyers are not social entrepreneurs since they do not directly address social needs or employ disadvantaged people. These organizations are an important part of the social environment and often work closely with them. A not-for-profit organization whose products or operations are environmentally friendly is not a social entrepreneurial organization. They are environmentally-sensitive companies.

Social entrepreneurship is a process by which individuals find solutions to social problems in order to make life better for society. The most widely cited definition was offered by Greg Dees, who is often referred to as the father of social entrepreneurship education. Dees holds that social entrepreneurs create new combinations of people and resources that significantly improve society’s capacity to address problems. Social entrepreneurs create innovative social solutions and value when the organization they create can be replicated or scaled up.

The main difference between an entrepreneurship and social entrepreneurship has to do with purpose of the organization, or what the enterprise is trying to maximize. For social entrepreneurs is to create some form of social impact and addresses an urgent need that is being overlooked by other institutions. For business entrepreneurs, the bottom line may be to maximize profits or supply a product that provides value to customers and meaningful work to employees. Social entrepreneurship is more challenging because it tackles problems that have defied standard methods and solutions.

Social entrepreneurs can earn profits - both types of entrepreneurship require vision, initiative, organization building and require similar skill sets and temperament from its leader but their primary objectives are different.

According to the Schwab Foundation for Social Entrepreneurship, social entrepreneurs share several characteristics. They

- Achieve large scale social change.
- Focus on the social or ecological change they want to make while earning money to support the change.
- Innovate when looking for a solution to a social problem.
- Use feedback to adapt and refine.

1.5 Factors Influencing Entrepreneurs

There are different factors which influence entrepreneurship. These factors could be psychological, cultural, social, economic or personality related.

Psychological factors affecting entrepreneurship

a. Achievement The presence of a constant force that inspires people to achieve something can be called as the need for achievement. It leads to high self-confidence and prompts a person believe in themselves in order to achieve success.

b. Personal motives- Personal motives such as becoming the youngest millionaire in the country or state or in the community could fuel the entrepreneurial drive in an individual.

c. Recognition It is a very common factor for success among entrepreneurs. The need to be recognized in the society or the entrepreneurial ecosystem drives many entrepreneurs to achieve.

d. Authority Need for authority is another psychological factor that drives the entrepreneurial spirit. The ability to exercise authority over others when an individual becomes an entrepreneur has an important role to play.

Psychological	Cultural	Social	Economic	Personality
• Achievement	• Culture	• Legitimacy	• Infrastructure	• Independence
• Personal Motives	• Capitalistic Mindset	• Religion and Caste	• Availability of Capital	• Personality
• Recognition	• Regligion and Beliefs	• Educational Qualifications	• Availability of Labor	• Compulsion
• Authority	• Minority	• Social Status	• Availability of Material and Technicl Know-how	
		• Responsibility	• Market Competition	
		• Family nd Occupation	• Government POlicies	

Fig 1.4 Factors Affecting Entrepreneurship

Cultural Factors Affecting Entrepreneurship

a. Culture is closely governed by the society we live in. There are accepted values in the cultural ecosystem which affects the behaviour of an entrepreneur. It also informs whether an entrepreneur is viewed positively and respected.
b. Capitalistic Mindset The focus on profitability drives an entrepreneur to come up with innovative ways to reduce the cost structure and maximize the overall profit generated. It has a replicating effect as well; entrepreneurs very often come up with new enterprises to achieve the goal of profitability.
c. Religion and beliefs Max Weber suggested that religious beliefs affect the entrepreneurial spirit in an individual. In other words, it can be said that entrepreneurship could be a function of religious beliefs.
d. Minority It has been observed across the globe that minority communities have contributed to significant number of entrepreneurial activities. E.g. Jews in Europe played an important role in innovation. Housesits believed that cultural minority groups foster entrepreneurial activities and development.

Social Factors Affecting Entrepreneurship

a. Legitimacy Human beings live in a socio-cultural setting and the amount of value given to an entrepreneurial set up in that setting has a strong influence on the entrepreneurial behavior.
b. Religion and Caste In many religion and castes (such as Marwari), entrepreneurship is looked upon positively and promoted. People belonging to such caste and religions show more affinity to take up entrepreneurial activities.
c. Educational qualifications Educational qualifications may help an individual to make better use of his entrepreneurial abilities and mindset. Alternately, at the other end of the spectrum, lack of significant educational qualifications may prompt a person to take up entrepreneurship as the route to realizing their ambitions and goals.
d. Social Status Social status can be a motivating factor for following an entrepreneurial journey. People who enjoy a good social status develop new aspirations, which lead them to undertake entrepreneurship.
e. Responsibility The opportunity to provide employment and improve the living standard of fellow humans can motivate many individuals to choose entrepreneurship.
f. Family and occupation People born in affluent and supportive families have greater chances of taking up entrepreneurship. Similarly, people from successful entrepreneur family (a family already having successful entrepreneurs) are more likely to take up entrepreneurship activity.

Economic Factors Affecting Entrepreneurship

a. Infrastructure If the infrastructure is in a good shape in the economy then the entrepreneurs do not have to worry about communication, power, transportation, etc. In the absence of these facilities the entrepreneur will have to spend a time, effort, and money on these facilities, which will lead to increased costs and would demotivate them from starting new enterprises.
b. Availability of capital Entrepreneurs need to raise both fixed and working capital for their long term and day to day needs. Easy availability of capital can motivate entrepreneurs, where as the lack of affordable capital can demotivate them.

c. Availability of labour Cheap and good quality labour will promote entrepreneurial activity in a region. In the absence of cheap and good quality labour, easy capital can substitute by helping the entrepreneur build capital intensive means of production
d. Availability of material and technical know-how Easy availability of raw materials coupled with good technical know-how will foster entrepreneurial activity.
e. Market competition Low market competition will promote entrepreneurs to start new enterprises. Although more competition is better for customers, it may not be lucrative to the entrepreneurs.
f. Government Policies Government can play an important role in fostering entrepreneurship by coming up with pro-entrepreneurship policies such as concessions, tax rebates, tax holidays, etc. This will lead to development of an entrepreneurial ecosystem.

Personality Factors Affecting Entrepreneurship

a. Independence The freedom to work on anything you want and follow your own wishes can motivate an individual to pursue entrepreneurship. Many people do not want to work in monotonous setups involving no innovation.
b. Personality An entrepreneur works in an ecosystem with stakeholders varying from government to customers. An individual needs an impressive personality to succeed in such a setup.
c. Compulsion can be a good motivator for entrepreneurship. A dissatisfaction in the job, the will to utilize the available funds, or the need to put into use the technical and professional skills and competencies developed over time can lead to the pursuit of entrepreneurship.

We studied different factors influencing entrepreneurship in detail. These vary from factors internal to the entrepreneur (personality, psychology) to those that are external to the entrepreneur (economic, social, cultural). All these factors contribute to entrepreneurial activity.

To Do Activity

Talk to any entrepreneur accessible to you. Discuss and understand from the entrepreneur what Psychological, Cultural, Social, Economic, and Personality factors seem to have influenced his or her entrepreneurship. Please write this into a one-page report.

Importance of Entrepreneurship in Economic Growth and Entrepreneurship Leadership Style

Entrepreneurs play an important role in the development of an economy. They directly and indirectly create a strong impact on growth by providing employment, generating revenues, improving productivity of the customer, and contributing to development, among many other things.

Importance of Entrepreneurship in Economic Growth

Entrepreneurs contribute significantly to the economy of the country in many ways. Major contributions of entrepreneurship are listed below:

Table 1.4 Major Contributions of Entrepreneurship

Innovation	Entrepreneurs realize the economic value of an opportunity through innovation. They come up with innovative products, services, or methods of production, which contribute to the whole ecosystem.
Capital generation	Entrepreneurs utilize savings of public sitting idle in banks or homes to generate economic activities that can provide handsome returns.
Development	Entrepreneurs often set up enterprises in rural or backward areas of the country. They help in overall development of the region by employing local population and reducing disparities.
Economic independence	They help in creating the economies of the country independent by production within the country. Now the countries do not have to depend on imports
Import Export	In-house production not only reduces import but production in huge quantities or development of niche products can often lead to increased exports. This helps in improving the overall trade balance.
Increase in per capita income	Entrepreneurs identify opportunities and realize economic value from it. By contributing to gross national product, entrepreneurs increase the per capita income of the country.
Employment generation	Various enterprises set up by entrepreneurs open a plethora of opportunities for job seekers.
Infrastructure development	Entrepreneurs contribute to the overall infrastructure of the country by setting up enterprises in different locations including both rural and urban areas.
Removing disparity	Entrepreneurs help in removing the economic disparity by providing employment and raising the standard of living for people across the country.

Entrepreneurial Leadership Characteristics

Entrepreneurial leadership involves, among other tasks, innovation, proper utilization of resources, and scaling up. There are many characteristics and traits that fall in the domain of entrepreneurial leadership. Following are some key traits:

- Confidence Belief in the entrepreneurial idea and belief in oneself to execute that idea
- Persistence Not giving up on failures and coming up with different and innovative ways to tackle the problem
- Innovative and creative thinking Coming up with something new and something different
- Measured risk taking Throughout the course we have studied that entrepreneurs are risk takers. It is very important for them to take calculative risks and not blind ones.
- Team-building mentality Unity is strength and teamwork will lead to better performance
- Self-motivation Taking initiatives and being self-motivated are very important. The entrepreneur can motivate others to achieve the common goal only when the entrepreneur himself or herself is self-motivated
- Ability to solve problems Coming up with innovative solutions to different problems that may arise during the life of an enterprise

- Proactive in learning Entrepreneurs should be open to learning new things and should regularly update themselves with new technology and skills
- High energy and enthusiasm Energy and enthusiasm are communicable and spread like wild fire to team members and other stakeholders as well
- Goal-oriented the entrepreneur's focus should always be to achieve the goal

Figure1.5 Traits of Entrepreneur Leadership

Source: Johnson, http://joejohnson.com/10-critical-entrepreneurial-leadership-traits/, accessed on 2/20/2019 at 11:05 a.m.

We looked at the economic importance of entrepreneurship to a nation. We also studied different leadership style and entrepreneurial leadership.

To Do Activity

Think of up to 3 entrepreneurial ideas. For any one of them, assess what all are the potential contributions to the community and the society if the idea is implemented successfully.

Model Questions

- What do you mean by entrepreneurship?
- What are the different qualities of an entrepreneur?
- What are the functions of an entrepreneur?
- What are the factors influencing entrepreneurship?
- Explore different types of entrepreneurship in a waste management sector.
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Chapter 2 Entrepreneurial Opportunities in Waste Management

Waste management is a common challenge. While there are a number of solutions and technological advancements to manage wastes, the efficacy with which manpower is being involved in waste management provides a window to how best implementation is done. Ineffective and sustainable waste management practices the implementation plan of action requires seamless transition and proper handling and managing of wastes at various stages generation to collection, disposal, treatment, recovery and reuse. Government, municipal corporations, public sector, private sector, civil societies, social enterprises and other stakeholders have over the years recognised the need and have adopted models that work across the 3Rs Reduce, Reuse and Recycle concept and in bringing an integrated approach for waste management. This includes working together with regard to collection, segregation, transport, treatment, reuse and recycling. However there still exists a wide gap between the informal waste management service providers and the formal ones. This probably hinders the very ethos of waste management. Enterprises classify business models and encourage reduction of wastes before generation, provide efficient end-to-end waste management services and aim to minimize the burden on landfills. Such enterprises also help recover value from wastes in the process.

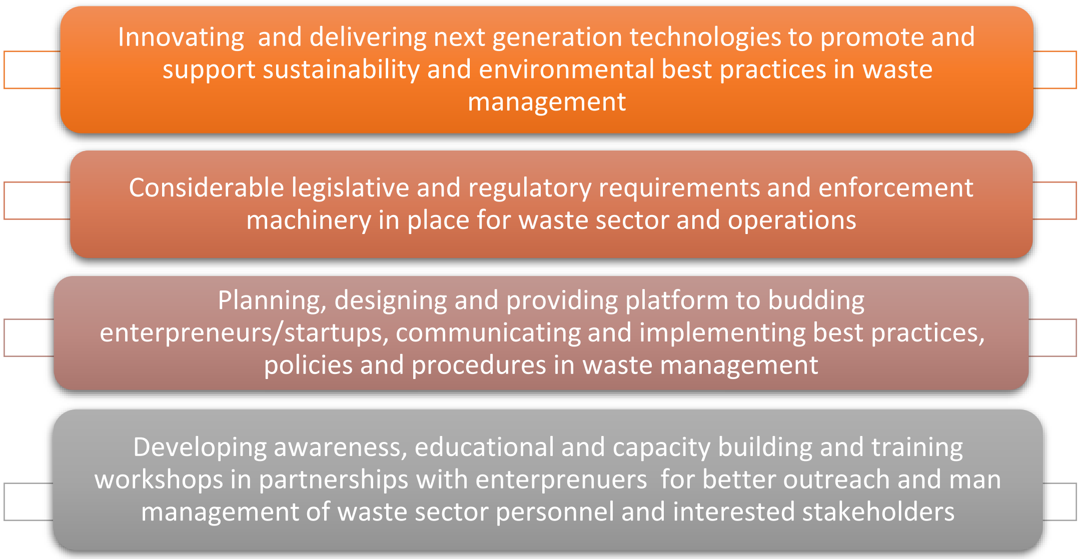


Fig2.1 Transformative and Innovative Opportunity from Business Perspective in Waste Management Sector

Waste management can be used as an entrepreneurship platform for sustainable youth empowerment as informal waste handlers, workers and segregators can be formally inducted through capacity building, training and skill development. There are multitude of job opportunities that can be created across waste hierarchy at various skill and stage level with the objective of not just improving the livelihoods of informal workers but also bringing them into mainstream for a sustained period and possible growth opportunities along with effective waste management. From collection, sorting to recycling we have manpower to work upon; however, what is important is how strategically we avail their work efficiencies in waste hierarchy. Although technological advancement has lessened the human effort with application of GPS, GIS and integrated approach in waste management, there shall be requirement of workers, operators, manufacturers, retailers, and other stakeholders to be an integral part of supply chain of waste management in solving waste issues via cradle-to-grave approach. The challenges involved in waste management lies when inefficiencies sneak in as different workers manage different components of waste value chain and due to lack or limited interaction and engagement amongst different stakeholders. If we see waste management and recycling as a transforming and innovative opportunity from business perspective the following are the way forward opportunities represented schematically in Fig2.1.

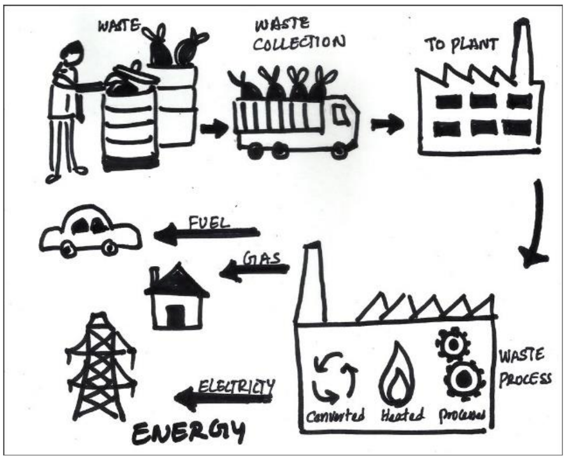
A good environmental stewardship program in waste management sector aims to move or make transition from business perspective to building strongest and strategic approaches and initiate programmers in response to regulatory compliances, stakeholder engagement and public perspective and support while implementing waste management measures.

What makes entrepreneurship in waste management sector as drivers of change?

- Role of stake holders (media and civil society)
- Landfill costs providing opportunities for entrepreneurs to provide solutions to lessen the reach of wastes to landfills as much as possible via gas recovery, waste to energy options
- Local government regulations on recycling and the introduction of penalties
- Supply chain reductions / customer requirements / ISO14001:2015
- Convenience, cost, legislation and market variables
- Overseas market influences
- Green policies and tax regime on waste
- Changes in market expectations

As mentioned in the preceding paragraph, the informal sector is responsible for waste collection and disposal and is unaware and ill-informed in most cases in developing countries. So they are not aware of the available waste recycling markets. This adds to the impact on environment. Also as with other startups in the domain of IT, energy and energy utilities, funding and investment opportunities are not well extended as they should be ideally. Newer opportunities in terms of recycling technology, reverse logistics, bioremediation of industrial, agricultural and waste water wastes, composting, waste to energy are being created by entrepreneurs and are providing one stop solutions in collaboration with government, public and private entities, NGOs and self-help groups.

Entrepreneurship provides a perfect platform as a promising alternative career to the youth who are looking for opportunities to create a positive impact on society and environment. There is an immediate need for social entrepreneurs to tackle the issues and find new and innovative solutions in waste management sector.



Also, if incentive concept from government such as subsidies, land and cost effective financing is provided, it would co-create an effective waste management sector with maximized shared value and stakeholder engagement. Another important aspect is, if curriculum subject on entrepreneurship in waste management is provided and awareness on the possible opportunities in waste sector is given, and then there shall be wider scope for increased employment in this sector, who are well equipped to provide sustainable solutions and there will be increase in investments in startups with positive capital gains.

Structure

2.1 Entrepreneurial opportunities in Waste Management

2.2 Ethos and Values in Enhancing Waste Management

2.3. Strategies, Trends and Challenges within the Sector

2.4 Future Direction

Objectives

- To provide an introduction to entrepreneurship in waste management, major trends and challenges, future prospects of waste management sector
- To show where entrepreneurs can fit in order to create efficient facilities

2.1 Entrepreneurial Opportunities in Waste Management

Some of the basic areas of work for any new Entrepreneur would be to understand and provide an understanding to the world around them on what they propose to do and how they plan to accomplish it. In other words, it includes a clarity and comprehension of the kind of business they plan to start. Like any other start-up they need to develop a business plan. To set in motion a business plan in an entrepreneurial spirit means recognizing opportunities unique to the proposed business.

Waste Management provides a fairly new arena of opportunities and challenges for an entrepreneur. That means the most of the needs that have to be met in management of waste for the civic and commies are opportunities for any potential entrepreneur. The first step would be to identify a problem to solve. This is where the individual needs to work and recognize the distinction between the entrepreneurial opportunity in waste management and waste management as a societal issue.

Adam Smith's definition of an entrepreneur can provide the guiding force for this kind of interpretation. According to Smith, "An individual who undertakes the formation of an organization for commercial purposes is an entrepreneur". That crux of the issue is that the process to be set in motion is a commercial enterprise primarily and therefore has to be viable economically if it has to succeed. Any aspiring entrepreneur should identify the range of problems that need solutions. The business or the new company should either have a product or meet a service needs - to solve a specific need either for another business or for a consumer/user group. Through the identification of a problem, an aspiring entrepreneur can build a business around solving that problem. So, the challenge is to identify a problem and corresponding solution. This can be obtained by looking at various related industries as an outsider. This can help an aspiring entrepreneur with the ability to see a problem as others might not.

The challenges in the sector include many known areas of works where solutions exist or where technologies can meet the needs yet have failed at the implementation level. Some of the challenges need to be re-evaluated/re-assessed to identify gaps in services and provide new solutions where old ones did not fit the bill. The challenges within the sector have to be analyzed with a money saving or money-making perception. It can be one of the following

- Meeting an existing need
- Developing/adapting/introducing a technology to overcome the problem/need

    a) Waste management especially in India has failed to recognise or use of waste as a resource with value attached to the process of extraction, recycling, recovery and reuse.
    b) The existing perception of viewing waste management as an arena meant for the stakeholders like the government and the non-profit sector must be revised
    c) Waste management has to be viewed as an entrepreneurial opportunity - an essential service that requires financing by all funding sources. It needs to be eligible for a proper avenue of funding within the existing financial institutions and fiscal system. It must have all the advantages of sound investment and be treated as any other business opportunity. A strong regulatory framework can sometimes drive innovation. The sector needs attractive businesses with clear performance goals and guidelines.
    d) Information/data analytics on future quantities and characterization of wastes will provide ideas for treatment and management options for future entrepreneurial opportunities.

Some existing practices or lack thereof in waste management can also pave the way forward for any future entrepreneur.

a. Waste on the streets is a major problem in India that has serious impacts on public health.

b. Waste management must involve waste segregation at source to allow much more efficient value extraction and recycling.
c. There is a need to develop training and capacity building at every level and through the use of different media, methodology and for all target populations to understand the importance of waste management, the effects of poor waste management on the environment and public health, and the role and responsibilities of each individual in the waste management system.

The next logical step is to provide a solution to the identified problem and build a business around that problem. Clarity is needed on specificity of the problem to be addressed and the corresponding solution for it this means a value addition is made. Only through adding value to a specific problem can a potential entrepreneur become successful.

Clarity of objectives, new solutions to existing problems cannot ensure success. Success will be ensured only when the potential entrepreneur develops a passion for the proposed business. There is no doubt that to develop a passion for waste disposal is not easy. However, terminologies like environmental degradation, a healthy planet, sustainability, pollution free, and organic to mention a few are all catch phrases that have found deep-seated passion among the masses. Passion is the most important component an entrepreneur must have. It is this motivating factor that very often draws both funding and expertise to the potential entrepreneur.

Waste Management provides a fairly new arena of opportunities and challenges for an entrepreneur. That means the most of the needs that have to be met in management of waste for the civic and commies are opportunities for any potential entrepreneur. The first step would be to identify a problem to solve. This is where the individual needs to work and recognize the distinction between the entrepreneurial opportunity in waste management and waste management as a societal issue.

The profit margins on home-based enterprises are sometimes larger than their larger competitors. This has been the result of a high-tech backlash. People who are potential customers are often frustrated by telemarketers, automated responses and touch-tone menus. A more personalised one-on-one approach often meets with better success and can not only entice new customers it can retain existing ones as well. On the flipside is the fact that a good website and internet technology can get messages across a wider customer base.

There is a need to understand the basic purpose of any new or aspiring entrepreneurial venture. This is often made through a Mission statement. There is a need to specify the mission statement as clearly and precisely as possible. This clarity will ensure and provide guidelines on what can be done and what cannot be done. This will to help investors or funders and provide for boundaries and guidance in all major decisions for the future.

What type of organization will your new organization be? The nature of business that is being proposed has to be clearly enunciated since the customer or user base is dependent largely on their perception of the nature of business. Is going to be for-profit or not-for-profit venture must be made clear. The sources of funding are often determined by the type of organisation that is being created. Oftentimes, the ability of the customer to pay for services rendered will be weighed against the convenience of the service provided. It is a frequent misconception that technology is the solution to the problem of waste management. Technology is not always and is often provides only one-dimension consideration when managing waste.

New opportunities in terms of recycling technology, reverse logistics, bioremediation of industrial, agricultural and waste water wastes, composting, waste to energy are being created by entrepreneurs and are providing one stop solutions in collaboration with government, public and private entities, NGOs and self-help groups. Keeping abreast with existing technological solutions is something that all aspiring or new start-ups must ensure.

2.2 Ethos and Myths in Entrepreneurial Waste Management

Creative thinking is the hallmark of any Entrepreneur. The creative solutions and ability to identify opportunities innovatively are the reasons why entrepreneurs thrive. Diversity is fundamental to the entrepreneurship principle. New ventures can be adaptively used in diverse settings. Diversity in combination with creativity provides the ideal platform for any new enterprise.

Common Myths and Myth Busters

Some myths in entrepreneurship are as applicable in the waste management sector as in any other sector of business. One favourite myth is that "Anyone can start a business it is luck that distinguishes successful entrepreneurs from others". Luck in reality would be the creative ability of an aspiring entrepreneur to identify a potential opportunity and leverage opportunities that comes their way. Where others may ignore opportunities others may not even identify the situation as an opportunity. Therein are the challenge and the difference.

"Entrepreneurs Are Born, Not Made." Often people do not realise the effort, time and investment that has gone into a new or budding venture. All start-ups need careful nurturing for it to become sustainable. The new venture starts small but the diversification and scaling up process is a scientifically and logical process that requires careful scrutiny and strategic decision making.

"Entrepreneurial ventures require huge capital investments." Mostly entrepreneurial ventures start as small enterprises but grow rapidly. The infrastructure requirements and capital investment for many entrepreneur ventures can and should be viable. Not all cost effective technologies are low cost technologies. There is a minimum period of time, effort and investment that is needed to ensure that a business takes shape and only then can the venture be considered viable.

One word often one hears along with innovation and creativity in entrepreneurship is the element of "Risk". The concept of unpredictability of outcomes is what is often referred to as risk. There is certainly an element of risk to the individual and the enterprise. The risk is often more than financial and can embrace their personality as well. The confidence in their own ideas is often substantial and passion in the entrepreneur often minimizes the risk.

2.3 Strategies, Trends and Challenges within the Sector

The existing strategies that are in place are obviously insufficient to bridge the gap between the need and implementation. This gap has to be filled and can be done so by understanding the changing challenges in the various locations. No uniform "one size fits all" strategy is likely to work in the long run. A multipronged approach is often the need of the hour.

Sectoral Challenges

- Dumping of wastes continues to be the practice and the impacts on the environment have been well documented yet continue undeterred. Methane from decomposed biodegradable waste causes fires and is a major reason for global warming
- There are also problems linked to air pollution, odour and leaching of liquid wastes into ground, waterways etc.
- Discarded tyres at dumps collect water and increase the risk of vector borne diseases such as malaria, dengue and West Nile fever.
- Uncontrolled burning of waste at dump sites, crop stubble on fields releases fine particles of soot and other airborne contaminants which are a major cause of respiratory diseases.
- There are shifts each year that change how the industry operates. Composting, glass recycling

The future of waste management with ever so burgeoning population, it is imminent that waste management system may certainly crumble to the test of global economic decline. With the global population, GDP per capita, the amount of waste generated shall bound to increase. Our waste management system and market conditions even with the best available technologies shall remain incapable of handling wastes. So, a paradigm shifts in attitude, awareness and capacity building with right mix of technology, co-operation and governance need to be embraced to control the plethora of uncontrolled dumpsites, especially in developing world economy.

Amount of wastes is mainly determined by the following factors:

- Population
- Consumption patterns
- Gross Domestic Product per capita (GDP)

According to the UN, between now and 2025, the world population will increase by 20% to reach 8 billion inhabitants (from 6.5b today). Jeffrey Sachs has estimated that in developing countries the GDP/consumption will be around $40,000 in 2050, which is the same as the USA GDP/consumption in 2005. With increased GDP per capita, advanced effective waste management systems and technologies have come up resulting in increased newer landfills, efficient collection systems and waste to energy facilities.

Any waste management future prospects are planned keeping in mind the following deliverables:

- Reduced waste generation
- Receive better rebates for all recyclable materials
- Provide eco-friendly options
- Cost neutral for metals and other recoverable materials
- Meeting all legislative requirements
- Waste management projects- As CSR initiatives

Business and Technological Challenges

The challenges in the sector include many known areas of works when solutions exist or where technologies can breach the needs yet have failed at the implementation level. Some of the challenges need to be re-evaluated/re-assessed to identify gaps in services and provide new solutions. The challenges within the sector have to be analyzed with a money saving or money making perception.

- Waste management especially in India has failed to use of wastes as a resource with value attached to the process of extraction, recycling, recovery and reuse.
- Waste management has to be viewed as an entrepreneurial opportunity is an essential service and requires financing by all funding sources. It needs to be eligible for a proper funding within the existing financial institutions and fiscal system. It must have all the advantages of sound investment as any other business opportunity. Strong regulatory framework can drive innovation. The sector needs attractive businesses with clear performance requirements and guidelines.

The existing perception of viewing waste management as an arena meant for the stakeholders like the government and the non-profit sector must be revised

- Information/data analytics on future quantities and characterization of wastes will provide ideas for treatment and management options.
- Waste on the streets is a major problem in India that has serious impacts on public health.
- Waste management must involve waste segregation at source to allow much more efficient value extraction and recycling.
- There is a need to develop training and capacity building at every level and through the use of different media, methodology and for all target populations to understand the importance of waste management, the effects of poor waste management on the environment and public health, and the role and responsibilities of each individual in the waste management system.
- When running a waste management is the hazards the primary challenge is to ensure that storage and handling of waste should not affect the health of the employees. It is not enough to manage waste. The reputation of the organisation will suffer if safety standards are not met. It is important to take every precaution needed during the collection, storage and treatment stages. In addition, ensure that the by-products or effluents generated do not harm the environment or health of the general public. Products geared towards this end targeting the household or shop floor level is likely to meet the end needs of many.
- Some of the existing methods to deter waste generation have been legal action, sorting and composting, population control, ban on polythene and plastics, introduction of alternatives, control of waste amounts and paperless offices.

Fig 2.2 Opportunities in Waste Management Sector

2.3 Overview of Scenario Building for Future Waste Policy

Scenario building and quantitative analysis are prerequisite for government machinery and policy makers to review waste policies from time to time and provide a guidance framework towards long term policy making. Though scenarios are not the accurate, yet they provide a realistic benchmarking on the basis of baseline data to predict future scenarios. Also, qualitative approach along with quantitative model provides a collaborative platform for building future waste management trajectories. Scenario building depends upon robustness of baseline and projection data which considers the following (fig 2.3) as key parameters. An entrepreneur should keep a tab on the following data parameters to look for opportunities while scanning the environment.

Table 2.1 Key factors Vs. Reference projections Waste scenario development

Key Factors	Reference Case Projection
Demographics	Stable population growth
Socio-economic condition	Growing affluence
Economy structure	Continuous shift in services
Consumption patterns	Good and bad attitude towards wastes
Environmental behavior	Diverse approaches
Corporate eco behavior	Shift to renewables
Energy systems and energy from waste capacities /technologies	Small scale energy from wastes
Commodity markets/ other interventions	Support and participation
Recycling and Reuse capacities	Tax increase
Landfill development taxes	Legislative machinery

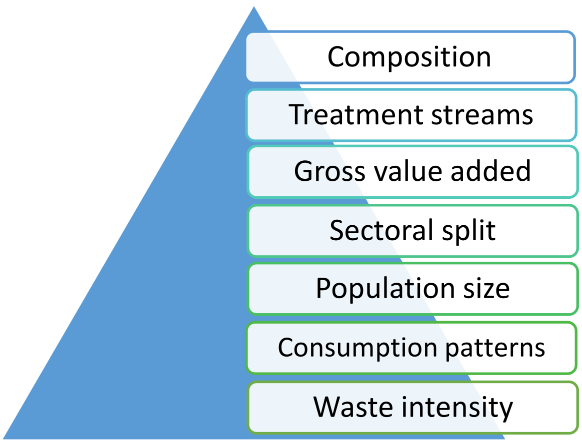


Fig 2.3 Parameters for Baseline Data Development

Base line data together with key factors Vs reference case projections constitute scenario development for future waste policy.

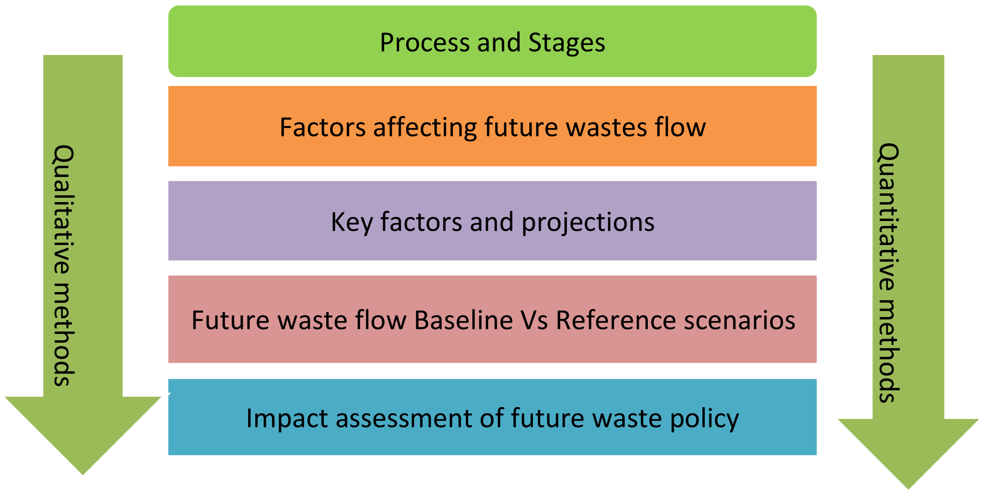


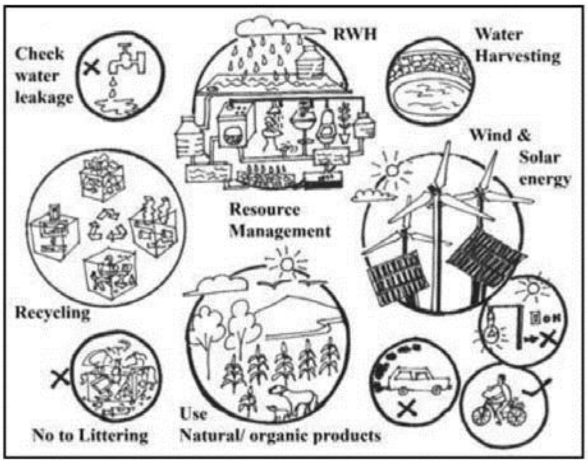
Fig 2.4 Overview of process and stages in scenario development (as per WRI, DEFRA, 2011)

As per the Indian Constitution, the responsibility for solid waste management falls under the purview of the state government and the urban local bodies (ULBs). Municipal solid waste management is governed by the Municipal Solid Waste Management and Handling Rules, 2016. The rules designate ULBs as solely responsible to manage solid waste in their area and direct for the implementation of the provisions of these rules, and for any infrastructure development for collection, storage, segregation, transportation, processing and disposal of municipal solid wastes. Along with it the recently amended e-waste management handling rules, 2016 has brought into mainstream a wider market for wastes to be brought into purview of value creation, through recovery, reuse and recycling. Under the flagship Programme such as the “Smart City Mission” and the “Swachh Bharat Mission” currently waste management issues being addressed with regard to waste segregation, collection, disposal and treatment, recovery and recycling. What is now required is the data of the groundwork done to be transformed into a primary input or baseline for building future scenario development and waste policies

As per the report, “India’s Urban Awakening-2010” and as mentioned in the ASSOCHAM and PWC report Waste Management in India - Shifting Gear son infrastructure need assessment of India forecasted an investment requirement of 1.2 trillion USD in the next 20 years, which accounts to roughly 134 USD per capita per annum out of which the share on waste management sector has been estimated at 15 USD per capita. With the present population of around 1.2 billion, the investment estimated by 2030 is almost 18 billion USD. Similar investment requirements have been echoed in the report on infrastructure in India under the High Powered Expert Committee (HPEC) which projected an investment of 771.65 billion USD (2009 statistics data) (39.2 lakh crore INR) over a horizon of 20 years. The investment requirement under the waste management sector has been roughly estimated at 9.56 billion USD (0.49lakh crore INR). The report estimated an additional requirement of 391.73billion USD (19.9 lakh crore (INR) to be apportioned for O&M cost for infrastructure. The cost for O&M in municipal solid waste management sector has been estimated at 53.9 billion USD (2.7 lakh crore INR) for the time period of 20 years.

Waste management has an infrastructure necessity and sets a platform for waste sector as a future green entrepreneurship and employment providing sector with deep rooted mission of serving environment and society. Also, if we look from the global perspective, World waste production is expected to be approximately 27 billion tonnes per year by 2050, one-third of which will come from Asia, with major contributions from China and India (Modak P*etal*, 2010).Waste generation in urban areas of India will be 0.7 kg per person per day in 2025, approximately four to six times higher than in 1999. The problems associated with waste become more acute as the size of communities increase and this provides opportunities for decentralized waste management by self-help groups and NGOs (Kumar JS, *et al*, 2014). The waste produced in urban areas of India is approximately 1,70, 000 tonnes per day, equivalent to about 62 million tonnes per year, and this is expected to increase by 5% per year owing to increases in population and changing lifestyles (Planning Commission, GOI, 2014). Urban India generated 31.6 million tonnes of waste in 2001 and is currently generating 47.3 million tonnes. By 2041, waste generation is predicted to be 161 million tonnes, a fivefold increase in four decades (Annepu RK. 2012).

Currently most of the focus is towards waste collection, segregation and treatment. What is now required is a gradual shift towards waste avoidance/reduction in waste with a complete policy and industry focus in developing approaches to waste management with minimized reach to landfills and maximized reach as recovered and fit for reuse products with a resilient long term development strategy.



Case lets

The lists of few notable entrepreneurs who through their entrepreneurship ventures have actively worked and contributed to waste management sector across India are mentioned in the form of case studies below:

1. **Eco-Wise**: Headquartered at Noida, provides comprehensive waste management services to a variety of establishments including residential, commercial and industrial entities. They ensure that, the wastes collected by them are treated and disposed in accordance with waste management rules. Eco-wise is an ISO 90001, 14001 and 18001 certificates.
2. **Vermi gold**: It is an on-site organic waste recycling Systems Company which combines advanced vermiculture biotechnology with cutting edge engineering to enable end users to recycle organic waste in a trouble free and eco-friendly manner. Vermigold ecotech has won the 2013 Energy Globe award from India. It is India's first and only internationally certified waste management system that certifies their system as best in class and kindest to the environment.

3. **Antony Waste Handling Cell Pvt., Ltd:** Antony waste handling cell, an offshoot of Antony group of companies, Mumbai is one of the leading players in the field of Solid waste management services in the country, since the past 8 years. It has features like Engineered Sanitary land filling, Refuse transfer stations, etc.
4. **Lets` Recycle:** It is an initiative of NEPRA Resource management Pvt. Ltd., a social enterprise that operates in segment of Dry Waste Management and Recycling, where it collects Dry Waste from Waste generators and segregates the recyclables and sends to authorized recyclers. It currently provides employment to 302 employees, comprising of 76 women. It has rag pickers of 1076. It provides environmental benefit- diverted over 3000+ MT towards recycling. (Source: Dr. Vani Ramesh, 2016).
5. **Waste to Watts:** When Sreekrishna Sankar and Mainak Chakraborty graduated from IIM-Bangalore in 2010, they decided to give themselves a year to figure out which social and environmental problem they should tackle, using technology. With Bengaluru facing a perennial garbage disposal challenge, they turned their attention to how they could make waste valuable and come up with a solution that would be relevant in urban areas. They spent close to a year ideating and travelling to understand both the waste and technology aspects before starting up GPS (Green Power Systems) Renewables.
6. **Karma Recycling:** The company has designed a cloud-based interface called Exchange Hub that can be used to value the devices, and that value can then be worked into a discount in the new device. Karma Recycling is working with 200 such stores across the country and has so far bought and sold 20,000 phones.

Waste management in India is a huge environmental challenge to be addressed. India generates huge volumes of waste and inadequate system of collection, transport, treatment and disposal which is a major environmental issue to be dealt with. It impacts public health too. The challenges and barriers to address the problems in current systems in India are very difficult. This can be solved only by growth of entrepreneurs in this niche area of business. It has a huge scope for the entrepreneurship as was seen in the chapter. Chapter 3 would provide role of various bodies involved in waste management.

2.4 Future Direction

- World waste production has been growing exponentially in keeping with population growth and according to estimates is expected to be approximately 27 billion by 2050. India's contribution towards these statistics is not small. The increased rate of urbanization is a contributory factor. Problems associated with waste management have become more acute and the need of the hour is to engage in multiple stakeholder-base.
- Opportunities for a blend of micro and macro waste management strategies are the need of the hour. The waste produced has to be managed at source with little or no opportunity for storage or to contaminate the surroundings. The present, available options have been on waste collection, segregation and treatment. What is required is waste reduction policy, programs and approaches to ensure waste reaching landfills are minimized.
- Waste management has been largely left to the government sector and therefore the necessity for involvement of private enterprise has been given a back seat. There is no doubt that high capital large scale infrastructure is a necessity and this can and should remain with the government. However, local small enterprise opportunities have so far been largely ignored except as pilot ventures on a micro scale. All data seem to indicate that smaller towns

are more successful in developing innovative strategies in the management of wastes. This indicates that the existing lacunae in testing such adaptive approaches in other localities have to be bridged.

- The scalability of micro projects for large metropolitan areas has also never been examined scientifically and information disseminated to both educational institutions and the general public. This approach can be seen as a future green entrepreneurship and employment opportunity.
- There is a lack of public commitment and measures have to be upped so that more investment both through entrepreneurial opportunities is tapped to the maximum. Media has never bridged this gap unlike in the health sector
- There is need for a wide information base, data on possible and probable quantities and type of waste that is likely to be generated in the future. This is essential to strategize the appropriateness of the different wastes, its management and treatment options. The big picture needs to be framed if efforts in this direction have to succeed in the future.
- Adapting and adopting smart technologies such as 360 L, ban on low-grade products, the creation of biodegradable plastics, an introduction of fees, plus the creation of new eco-friendly product models and levies on waste generation

Self Assessment Questions

1. Write the Entrepreneurship venture of any entrepreneur in waste management sector and how it is implementing best practices in waste management.?
2. Write a review on different entrepreneurship organizations in waste management sector in India.

Further Reading

1. Introducing How to Start a Recycling Business. Start small business with 50 recycling business ideas in 2016-17 https://www.youtube.com/watch?v=ZnZe-P-9D0w&pbjreload=10
2. Entrepreneurship and Sustainabilityhttps://www.youtube.com/watch?v=Heo8exQrnbI
3. Entrepreneur turns textile waste into fashionable footwear https://www.youtube.com/watch?v=50d3GXfIdX0
4. 4. Sustainable Business - Wealth from Waste Documentary on how business is creating a circular economy https://www.youtube.com/watch?v=VJ95arxbz24
5. Entrepreneurial Opportunities in Waste Management Sector, https://www.entrepreneurindia.co/Document/Download/List%20of%20Profitable%20Business%20Ideas%20in%20Waste%20Management,%20Disposal%20and%20Recycling%20Industry.-501392-.pdf

Chapter 3 Human Resources in Waste Management

Structure

3.1 Human Resources in Waste Management

The waste generated is the result of human activity. The retention of these products in their existing form, shape or location can adversely affect human health and the environment. Waste management is the terminology that includes a variety of related and inter-related tasks/activities in the disposal of wastes. It includes collection, transportation, disposal or recycling of waste.

In India, there is no system of Integrated Waste Management (ISWM). The volume of waste has increased in keeping with an increase in population. The per capita waste generated has also increased due to changing lifestyles, increase in income and consumerism. In India almost all waste whether it is biodegradable, recyclable, construction or hazardous are mixed together. There is no comprehensive system of segregation at the source.

The responsibility of solid waste management remains primarily with the municipal bodies. Civic bodies have largely been responsible for management of wastes in both cities and towns, although a few PPP (Public Private Partnership Program) initiatives on a micro scale have been initiated especially in the recent years. No waste management programme can be successful without the help of the people because ultimately, they are the producers of waste. Several other stakeholder groups play significant roles in the process.

Working with leaders, decision makers, eminent persons who can sway public opinion people of the councillors, gram Pradhan, NGOs etc. to sensitize and educate the people regarding waste management. The private sector can be taken on board as well, to manage waste especially in residential and commercial areas. Ensure the dignity of workers so that a societal change be ensured regarding persons working within the sector. The social status assigned to is work in this sector is very low hence, people think of activities linked to this sector are worthless and a low ranking, degradable task. The social status and caste and occupation linkages have resulted in marginalising the workers involved with collection of waste.

3.2 Existing Practices Scope, Sequencing and Approaches

The existing practices are closely linked to the poverty cycle and waste disposal practices. Disposal of wastes in open pits and open land dumping and open-air burning are some of the common practices. Low lying areas including dried water bodies are frequently filled up with rubble from demolished structures, gravel and bitumen road topping. Such land is later demarcated for construction or even for common Community resources. Large pits caverns and quarrying also give rise to huge pits that serves for dumping of wastes. Often any vacant spot is used for dumping solid especially building wastes.

Sorting of wastes various collectibles such as carton papers, paper packs, tetra packs, nylons (paper & elastic), clear PET bottles, plastics, lighter plastics, thick plastics, cans and other metallic scrap, etc are sold by the rag-pickers to waste dealers.

The dry organic from gardening or withered after fallen trees, plants are collected for firewood and set ablaze. Rubber products like tyres, tubes are burnt to extract the copper from damaged electrical insulation.

The overall sequence of activities from collection of recyclable materials to the final disposal and recycling of waste, significant contributions are made by several stakeholders that belong to the unorganised sector and poverty groups. In the Indian scenario the so-called waste pickers, who come from highly vulnerable social backgrounds, play a unique role. Waste pickers or rag pickers as they are commonly called make a living by collecting and selling recyclable materials from landfills. In the process they make a significant contribution to the environmental management and waste management in different cities and contribute to the Community as a whole. These stakeholder groups are largely from the unorganised, informal sector and are involved with segregation, collection, sale and purchase of recyclable materials from garbage bins, dumpsites and landfills. The waste pickers retrieve recyclable materials from what is discarded by households, commercial establishments and industries from municipal wastes.

Items such as newspaper, glass containers, tin cans, virgin plastics are sold directly to itinerant waste collectors. Larger commercial establishments and industries sell the recyclable waste (in segregated form or otherwise) to waste dealers in bulk during scrap sales etc, and they in turn sell it to recyclers.

Waste pickers pass on the retrieved materials to waste dealers who in turn reach out to agents who brokers/facilitate transactions between medium/large waste dealers and recycling owners.

Waste trade activities performed by these informal sector stakeholders contribute significantly in recovery and recycling. There has to be recognition of the contributions made by waste trade activities in the informal sector. This can be done by providing them with landing sites, protective gear etc, involving small capital investment and this will ensure a better quality of life and livelihood to a significant number of urban poor who reduces the environmental burden otherwise caused due to the same quantum of solid wastes had it remained non-segregated. Amongst all the stakeholders the waste pickers from highly vulnerable background are often exploited both physically and economically despite their significant service to waste management.

Women and children from families who reside on pavements take up waste picking as a family occupation. Street Children, runaways and migrants often resort to waste picking. Moreover, the very nature of the activity requires no skill, no investment and rag pickers often receive Rs 45 to 80 per day. Those who own cycles, tricycles are more mobiles and earn up to Rs 150-200/day. They sell the collected waste on a daily basis to the local waste dealer.

The most common waste material collected by the waste pickers is plastic as it has wide application and is found everywhere. The quantity and kind of material collected depends on the area in which collection is done. In residential areas mostly mixed waste items like plastic, paper and glass are collected cardboard cartons. Some work directly for waste dealers to ensure a sale at the end of the day. These waste pickers are committed to sell their daily collection to the waste dealers who employ them.

Working Conditions and Occupational Health Hazards

Those who collect waste from markets or industrial areas face health hazards. The occupational health hazards of waste pickers arise from two aspects - poverty and their occupation itself. They suffer from under nutrition, tuberculosis and other bacterial and parasitic diseases. They are also susceptible to poisoning since they work with toxic medical waste using their bare hands. They handle human and animal excreta, dead animals and potentially infectious hospital waste dump. This makes them highly susceptible to a number of infections, injuries, cuts and bruises. Inhalation of chemical wastes, effluents from industries includes pesticide poisoning. Most do not use any kind of protective gear.

3.3 Micro to Macro Approaches Urban Versus Rural Scenario

Waste Management is now a problem not only of urban areas but also in semi-urban and rural areas. Waste lying on roadsides, low lying areas and vacant places, outside drainages etc and proves to be a serious health and environmental hazards to the community. Most urban dumpsites are in the periphery of the cities and towns. The newer satellite townships are often close to such dumpsites and cause severe health risk for residents.

In rural areas it was the practice to use kitchen waste to feed to the animals or bury it in the compounds. However, with an increase in income and change in lifestyles there is use of more packaging and plastic material. In the majority of places, waste is often times mixed which makes the problem of waste management more complicated. About 77% of the waste generated in the villages is used as domestic fuel, animal fodder and organic fertilizer for crop production. The rest (23%) was left out in open fields for natural decomposition. Anaerobic combustion of animal manure and human excreta produced in the village could yield up to 82% of the domestic energy requirements and make commies less dependent on.

3.4 Skilling of Work force Shift in Paradigm

The twenty-first century the business environment has become extremely competitive and it has become a necessity to invest in human capital. Creating changes is human resources especially in the unskilled, unorganised work force and better utilization of their services. More so if the group like rag pickers and scavengers who are the most marginalised persons. People are a company's greatest asset and investment is an oft quoted saying. There is a need to break the existing social structures and traditional attitudes.

3.5 People Oriented Practices and Strategies Organizational and Community Based

Community-based projects are those whose operation is limited to a particular neighbourhood. Such activities should be carried out by members of commies to clean up their neighbourhood and/or to earn an income from solid waste. Community members and local leaders in urban commies play different roles at different levels of community participation in solid waste management.

Community members can participate in solid waste management by showing proper sanitation practices, contributions in cash, volunteer base, participation in consultations, administration and management of solid waste services like performance evaluation, collection of charges, engaging personnel, and administration among others.

A formal contact with the municipality and the community including approaches like development of a database of operators of primary collection system with information like contact details, areas covered etc., give the group a better identity. Even some something as mundane or fundamental as an identity card, organising formal meetings and linkages with commies like resident associations would help the pickers move up the employment and social ladder. Integrating informal recycling into formal MSWM program

There is need to convince municipal authorities and politicians to move from their traditional policy of ignoring the welfare of this sector to one of positive engagement, support and integration with the formal MSWM system. The first step in this is for those in authority to recognise the economic, social and environmental benefits from informal recycling and the contribution they make to cleaning up cities and towns. There also needs to be recognition of the limited effectiveness of simply copying approaches to MSWM used in more economically developed countries as these are unlikely to be appropriate. Perhaps the greatest challenge is to shift the perception and attitudes, particularly of local officials and also of the general public, towards those involved in informal waste recycling

Chapter 4 Role of Various Organizations in Waste Management

Structure

- 4.1 Role of Various Organizations in Waste management
- 4.2 Role of various Governmental organizations, Role of Banking and Financial Practices in Waste Management
- 4.3 Role of private players
- 4.4 Role of PPP models in Waste Management
- 4.5 Role of Commy based Organizations, NGOs and other civil society organizations

4.1 Role of Various Organizations in Waste Management

There are innumerable organisations that deal with waste management either directly or indirectly. MSWM is an essential and obligatory function of Urban Local Bodies. Constitutionally SWM falls within the purview of the state government and are usually entrusted to Urban Local Bodies (ULBs) through state legislations. Municipal Solid Waste Management (MSWM) is a part of public health and sanitation as well. Health being on the concurrent list has to be reflected both by the central and state governments Acts. MSWM is generally the responsibility of a health officer who is assisted by the engineering department in the transportation work and this activity is mostly labour intensive.

At the district level, the District Magistrate or the Deputy Commissioner of the concerned district had the overall responsibility for the enforcement of the provisions of the MSWM Rules. Every municipal authority is responsible for implementation of the provisions of these rules, and for any infrastructure development for collection, storage, segregation, transportation, processing and disposal of municipal solid waste. Additionally, for monitoring and management of sanctioned projects of various sectors including SWM under JNNURM, Project Implementation s (PIUs) at ULB level have been set up in many states.

Other important stakeholders NGOs/Civil Society NGOs and civil society/social workers often take lead in working with local commies and ensure Community participation. The NGOs can liaise with Municipality and other influential bodies to ensure support and to avoid duplication of services. These organizations involve unemployed youth in the area for various jobs such as managing collection of garbage, helping the organizers in conducting road-shows, etc. They can also organize/sponsor Clean City campaigns. Exnora International, another NGO spearheads Community initiatives in Chennai and nearby sub-urban areas and organises rag pickers for systematic door-to-door collection effort.

4.2 Role of Various Governmental Organizations

Central Government

Some of the government departments/ministries that are directly responsible for Waste Management are

- Ministry of Environment and Forests and Climate change regulation through rules, regulations and guidance materials.
- Ministry of Urban Development Funding of projects through National Flagship Projects
- Ministry of New and Renewable Energy
- Ministry of Finance through Department of Economic Affairs
- Ministry of Human Resources Development

These ministries work independent of each other but often there is an overlap of services and they need to work together in a convergent manner to avoid duplication of services and pool in resources in a more efficient manner. By working in tandem they are more likely to make the necessary changes for implementation of any existing program or in many cases create more efficient and new ones.

The central government is responsible for providing technical assistance through specialized teams imparting capacity both technical and non-technical assistance to the state and urban local bodies.

State Government

- Responsible for implementation of funding through State Finance Commissions.
- State urban development departments as state nodal body
- Co-ordination between various ULBs/LBs (Urban Local Bodies / Local bodies) for various schemes and imparting training

Urban Local Bodies and Panchayati Raj Institutions

- Implementation Responsibility
- Implement through set of bye-laws governing waste management
- Responsible for manpower and staffing
- Responsible for preparing and implementing the municipal rules
- Funding through ULB’s own resource & Public Private Partnerships

Institutions

The other institutions

- NITI Aayog plans and allocates financial support
- DEA (Department of Economic Affairs) ensuring the structure and framework is in place and providing with financial Support
- NIUA -Capacity Building for technical teams at the state and central levels
- BARC Technology
- Universities and other Academic Institutions Research and training

Multi-Lateral/Bilateral Funding Agencies

- Capacity building
- Financing through loans and grants
- Piloting initiatives
- Research

4.3 Role of Private Players

- Assist ULBs in implementation of waste management activity in the capacity of advisors, execution agencies, etc.
- Non-governmental organizations play an important role in collection and transportation and organizing the informal sector. In some cases, NGOs have done good work in end-to-end waste management.

Informal Sector Workers

Organized Sector includes those whose employment terms which are fixed and regular, and the employees get assured work and belong to the employees of ULB. Unorganized sector is one where the employment terms are not fixed and regular, as well as enterprises are not registered with the government. The organized and unorganized sectors play a major part in the management of waste management. Many are unregistered, unregulated or casual labour.

- Scavenging and rag picking.
- Informal waste segregation and recycling

In India, especially during recent years waste management have focused on waste pickers who are responsible for waste retrieved from footpaths or transfer stations, the participation of municipal staff in selling waste, the sale of refuse to farmers near dump sites for composting or for fuel, dump scavenging, and the various arrangements negotiated among pickers, itinerant buyers, waste buyers and wholesalers in the waste exchange networks.

4.4 Role of PPP Models in Waste Management

The role and intervention of private sector in municipal solid waste management is growing rapidly in the country and PPP models have emerged. The initial attempts of large-scale private sector participation kicked off sometime during mid-1990s in few progressive metro cities like Chennai, Hyderabad etc. However, it was limited to specific components of collection, transportation and road sweeping.

During this time urban local bodies (ULBs) gradually realised that it was imperative to work on processing/recycling solid waste to reduce the burden on landfills. This along with notification of MSW Rules (Management & Handling) 2000, making waste processing and development of sanitary landfill mandatory, resulted in spurt of initiatives by urban local bodies of even tier II and metros for establishment of processing facilities and sanitary landfills. This was majorly made possible with private sector participation

Large private sector companies can and do support projects on primary collection & transportation, which was earlier limited to local contractors only.

a) There is a pressing need for developing ICE (information, communication, and education) directed at activities to involve Community of informal workers (rag-pickers), residents etc.

b) Political championing is necessary for successful PPPs for instance the first attempt to privatize collection & transportation activities in Chennai received concurrence from all stakeholders as the Mayor steered clear the rationale for the privatization of MSWM services to the corporation council and passed a council resolution approving the privatization of MSW services. This process later failed.
c) There is a need for a well-defined transition process or else it can lead to complete failure of adequate service delivery during the transition period - as in the case of transition between CES Onyx to Neel Metal Finance in Chennai.
d) Land acquisition is critical for the success of PPP projects as in the case of Bangalore processing facility, the BBMP could provide only 50 acres against contracted 100 acres for the project facilities, resulting in implementation delay and sub-capacity processing installation of 250 TPD against 600 TPD envisaged initially.
e) Need to provide flexibility in technology selection to private operator - focus on outcome based indicators rather than input based factors.
f) Waste quantity and quality are determining factors for success of any technology relating to processing of MSW.

4.5 Role of Community Based Organizations, NGOs and Other Civil Society Organizations

Solid waste management is currently handled by government engaged contractors who are paid for their services from public funds. Nonetheless, they are private operators and such contractors operate around public land uses and major roads. They should rightly be working during the night time so they do not interfere with smooth vehicular flow of traffic during the day. Some activities of the sector are solely serviced by the informal sector.

Since transfer stations, public waste bins and official waste dumps are not easily accessible to the populated, low income areas, the informal waste contractors sometimes dispose MSW in drains and streams leading to floods during the rainy season.

Residents of such areas are at risk and lack the organization, funding and structure to mitigate and adapt to the situation. Resident Associations need to be empowered to handle such type of activities

Summary

The chapter provides an understanding of various bodies involved in resolving critical issues of waste management. The support from all statures is very crucial to run a successful enterprise. There is generally lack of public participation and responsibility towards waste management in the community. There is also lack of community awareness on the systems that exists in management of wastes. Chapter 4 would provide an understanding of waste pickers.

Self-Assessment Questions

1. Write an account on the organised and unorganised waste sector of your city.
2. How effectively do you participate in the waste segregation and practice waste reuse and give wastes for recycling at individual level?

Further Reading

- Sample Study of Informal Scrap Dealers and Recyclers in Bangalore February April 2011
- https://www.globalcommunities.org/publications/2011-India-Study-Scrap-Dealers-Recyclers.pdf
- Untapped Potential: Securing livelihoods dependent on 'Waste' A Review of Law and Policy in Indiahttps://swachcoop.com/pdf/WPandLaw.pdf
- Source:https://www.globalcommunities.org/publications/2011-India-Study-Scrap-Dealers-Recyclers.pdf

Chapter 5 Regulatory Institutional and Legal Mechanisms

Structure

- 5.1 Regulatory Institutional and legal mechanisms
- 5.2 Various Committee Reports
- 5.3 The Bajaj Committee Report 1995
- 5.4 International Conventions, protocols

5.1 Regulatory, Institutional and Legal Mechanisms

The National level programs are often preceded by a clear-cut policy. Such well enunciated policies are a commitment of the government towards working towards the goal in sight irrespective of the political party in power. Some of the policies that have an implication on waste management include the following. These policies were followed by legislative provisions and later translated into programs at the state and national level.

The National Environment Policy the National Environment Policy seeks to extend the coverage and fill in gaps that still exist, in the light of present knowledge and accumulated experience. It does not displace, but builds on the earlier policies on conservation of the environment and prevent possible degradation.

The "Policy Statement for abatement of pollution, 1992" and "National Conservation Strategy and the Policy Statement on Environment & Development, 1992" emphasizes pollution prevention / abatement, and promotion of cleaner technologies to reduce industrial pollutants. The National Water Policy, 2002 contains provisions for developing, conserving, sustainable utilization and management of important water resources and the need to be governed by national perspectives.

- Environment (Protection) Act, 1986
- The Water (Prevention and Control of Pollution) Act, 1974
- The Water Cess Act, 1977
- The Air (Prevention Control of Pollution) Act, 1981.
- Indian Forest Act, 1927 and the Forest (Conservation) Act, 1980
- The Wild Life (Protection) Act, 1972 and
- The Bio-diversity Act, 2002.

Such legislation was also followed by guidelines and rules enacted and to be read in conjunction with the required legislation.

- The Environment (Protection) Rules, 1986
- The Manufacture, Storage and import of Hazardous Chemical Rules, 1989 amended 2000
- The Hazardous Wastes (Management & Handling) Rules, 1989 amended 2000, 2003
- The Manufacture, Use, Import, Export and Storage of Hazardous micro-organisms Genetically engineered organisms or cells Rules, 1989
- The Chemical Accidents (Emergency Planning, Preparedness and Response) Rules, 1996
- The Bio Medical Waste (Management and Handling) Rules, 1998 as amended 2000 and 2003.
- The Ozone Depleting Substances (Regulation) Control Rules, 2000

Central Pollution Control Board (CPCB) undertakes the projects and programmes through various institutions, research organizations relating to assessment and monitoring of air and water quality. For this purpose, a wide network of monitoring stations has been established. The research studies initiated include preparation of air quality management plan, source apportionment studies for cities, creation of environmental data bank, performance evaluation of Common Effluent Treatment Plants (CETPs) and programmes for capacity building and awareness.

It has also tried to work on Industrial Pollution Abatement through preventive strategies. The scheme consists of three components namely Environmental Audit, Adoption of Clean Technology in Small Scale Industries and Environmental Statistics. The objective of the scheme is to assist small scale industries to adopt cleaner production practices and reduction in waste generation. Under this programme, studies have been initiated in preparation of environmental audit statements in various sectors, mapping of Sutlej river basin in Himachal Pradesh for environmental management and technology related studies.

They have also established Environment Protection Authorities and Environment Commissions and Tribunals. Authorities have been constituted for environmental compliance and enforcement of various activities. These include

- National Environmental Appellate Authority (NEAA) under National Environment Appellate Authority Act, 1977 to hear appeal with respect to industries, operations or processes
- Loss of Ecology (Prevention and Payment of Compensation) Authority for the State of Tamil Nadu to deal with pollution created by the tanneries and other polluting industries in Tamil Nadu ƒ
- Environment Pollution (Prevention and Control) Authority (EPCA) for the National Capital Region for compliance relating to environmental standards, emission or discharge of pollutants, steps to control vehicular pollution, restriction of industries etc.

5.2 Various Committee Reports

At the national policy level, the Ministry of Environment and Forests has been responsible for designing the Municipal Waste Management and Handling Rules, 2000. It gives direction for municipalities to manage urban waste. Though the rules recommend recycling they do not say how to follow it or give any direction towards promoting recycling. Indirectly waste to energy technologies are encouraged through the formulation of technology standards.

Other policy documents include

- Manual on Municipal Solid Waste Management, prepared by an expert committee constituted by Ministry of Urban Development, GOI, January 2000
- Recycled Plastics Manufacture and Usage Rules, Ministry of Environment and Forests (MOEF), GOI, September 1999
- Solid Waste Management in Class I Cities in India.
- National Plastic waste Management Task Force.
- Report of the High-powered Committee on Urban Solid Waste Management in India, headed by Prof B.S. Bajaj, Member, Planning Commission. Constituted by Planning Commission, GOI, 1995
- Waste to Energy Policy as promoted by the Ministry of Non Conventional Energy sources (MNES), 1995.

Some of the details on the various reports have been highlighted.

5.3 The Bajaj Committee Report 1995

In 1995 the Planning Commission of India constituted the High Powered Committee on Urban Solid Waste Management Chaired by Mr J.S. Bajaj. The inspiration was the Rio Earth Summit and Agenda 21, where the connectivity of health, environment and sustainable development were articulated. The Bajaj Committee as it came to be called made a number of recommendations including waste segregation at source, primary collection of waste, levy of user charges, use of appropriate equipment and vehicles, focus on sanitary land filling and composting and encouraging private sector participation. The Committee strongly advocated for the inclusion of the unorganised sector in solid waste management.

Report on Solid Waste Management in Class I Cities of India

At the national level it was the Public Interest Litigation (PIL) filed by Ms Almitra Patel, Convenor of the INTACH Waste Network versus the Union of India that focused national attention on the issue of solid waste management for a period of time. It was this that brought waste pickers and the unorganised waste sector onto the national agenda, rather than the activities of organisations working with waste pickers. The Hon. Supreme Court of India constituted an 8-member Expert Committee to study different aspects of Solid Waste Management across India and to make recommendations in respect of improvement.

National Commission on Self Employed Women and Women in the Informal Sector 1988

The report “Shramshakti” refers to the occupational group “Rag pickers working in the open elements and infected rubbish piles” recommended that

- Alternative income-generation schemes and training should be provided
- Effective medical facilities and protective equipment to be provided

The Report of the Second National Labour Commission, Ministry of Labour, Government of India, 2002

The Commission in its report stated that it “recognizes the useful role played by the scrap collectors both in helping recycling activities as well as in maintaining civic hygiene. It is, therefore, essential that they should be protected from insecurity of various forms”.

Jawaharlal Nehru Urban Renewal Mission (JNNURM), 2005

The Jawaharlal Nehru Urban Renewal Mission was launched on December 3rd, 2005. The primary objective of the JNUURM is to create economically productive, efficient, equitable and responsive cities. The JNNURM is a tremendous opportunity to integrate the informal sector into the city's work via the route of formal infrastructure. Solid waste management features in the list of infrastructure projects for the Sub-Mission on Urban Infrastructure and Governance. The physical and social infrastructure missions can be leveraged for financing infrastructure for the informal recycling sector. The size of the projects that it can fund requires re-organisation at the grassroots on a much larger scale, with groups that are large enough to work as an enterprise made up of several smaller enterprises. Currently, most initiatives in India that advocate on behalf of informal sector recyclers involve organising no more than a few thousand waste pickers.

5.4 International Conventions, Protocols

India has participated in major international events on the environment since 1972. The country has signed and ratified a number of key multilateral agreements on environment issues and problems of global concern. Efforts have been made to network and enhance environmental cooperation by participating in regional and bilateral programmes.

International Agreements/treaties/conventions/declarations on environment management to which India is a party include the following.

- Nations Conference on the Human Environment Stockholm 1972
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), 1975
- Ramsar Convention, 1971, 1975
- The Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes, 1989
- Nations Conference on Environment and Development (UNCED), 1992, 2002
- Agenda 21, Rio
- Declaration of Millennium Development Goals
- Framework Convention on Climate Change (FCCC), 1992
- Kyoto Protocol, 1997
- The Vienna Convention, 1985
- Montreal Protocol on Ozone depleting substances, 1992
- Convention on Biological Diversity, 1992 o Cartagena Protocol on Bio-safety
- Convention to Combat Desertification, 1996
- Rotterdam Convention on Prior Informed Consent Procedure for certain Hazardous Chemicals in International Trade, 2002
- Stockholm Convention on Persistent Organic Pollutants (POPs), 2001
- Chemical Weapons Convention, 2005
- Strategic Approach to International Chemicals Management (SAICM), 2006
- WTO Agreement

Bilateral Cooperation

The bilateral co-operation and work with International agencies have ensured that India keeps abreast with global trends in waste management.

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9. Waste Management in India - Shifting Gears, Report by ASSOCHAM, PWC, March 2017
10. Wilson DC, Veils C, Cheeseman C. 2006. Role of informal sector recycling in waste management in developing countries. Habitat Int. 30, 797808. (doi:10.1016/j.habitatint.2005.09.005)

Annexures

1. Toolkit for Public Private Partnership frameworks in Municipal Solid Waste Management http://swachhbharaturban.gov.in/writereaddata/Tookit-Public.pdf
2. Handbook on Scaling up Solid and Liquid Waste Management in Rural Areashttp://swachhbharatmission.gov.in/sbmcms/writereaddata/images/pdf/technical-notes-manuals/Scaling-up-SLWM-in-Rural-areas.pdf

Books for Reference

1. Wealth from Waste - Agricultural food and chemical Processing Waste by S.C. Bhatia
2. Solid Waste Management - Present and Future Challenges - Jagbir Singh & AL Ramanathan
3. Smart Cities - Transforming India - Prof M.P Dube
4. Waste Management Practices by John Pichtel
5. Eco-Economy: Building an Economy for The Earth by Lester R. Brown
6. Not in My Backyard - Solid Waste Mgmt in Indian Cities by Sunita Narain & Swati Singh Sambyal

Block 5

Social Entrepreneurship

Swachhta Action Plan

Mahatma Gandhi National Council of Rural Education

Department of Higher Education

Ministry of Human Resource Development, Government of India

Hyderabad - 500004

Contents

Chapter1
Understanding Entrepreneurial Framework

Introduction

With the growing need of sustainability in business development, the emergence of business tools to find solutions to the problems at distinct levels has emerged. This has resulted in the development of initiatives to improve the community and hence benefit the society at large. Social entrepreneurship deals with the recognition of social problems and attaining a social change by using entrepreneurial principles, processes, and operation. This unit introduces the concept of social entrepreneurship and further delineates the characteristics of social entrepreneurs and concludes with the global scenario of social entrepreneurship.

Objectives

- To understand the concept of social entrepreneurship.
- To identify the various forms of social entrepreneurship.
- To understand the theory of change, transformative nature of social entrepreneurship
- To Identify the social business opportunities
- To gain insights into the Millennium Ecosystem Assessment.

1.1 Social Entrepreneurship

The concept of social enterprise is increasingly used to identify a 'different way' of doing business, which occurs when enterprises are created specifically to pursue social goals. Social entrepreneurship is defined as "innovative, social value-creating activity that can occur within or across the nonprofit, government, or business sectors". It can be observed here that on a broader front, all enterprises, whether commercial or social, aim at generating social value. In this context, a social enterprise primarily aims at creating social value, as opposed to magnifying shareholder wealth.

The European Commission gives the term 'social enterprise' the following meaning 'an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities' (Social Business Initiative, October 2011).
Following are some of the features of social entrepreneurship

- Having a social purpose
- Engaging in trading activities to achieve social purpose (at least in part)
- Not distributing profits to individuals
- Holding assets and wealth in trust for community benefit
- Democratically involving members of its constituency in governance of organization
- Independent organization with accountability to defined constituency & wider community

The Socio-Economic Context of Social Entrepreneurship

The socio-economic context of social entrepreneurship can be explained with the help of the following quotation.

"Today the public interest is not only served by the government, but also by new private actors, for example social entrepreneurs." - Professor Jacques Deformed (Moneystore.be, February 2013).

If we go through the concept of social entrepreneurship, it can be observed that social entrepreneurship overlaps with the traditional nomenclature of the socio-economic organizations. Social entrepreneurship is defined as dealing "with the recognition of social problems and attaining a social change by using entrepreneurial principles, processes, and operation". It is all about making a research to completely define a particular social problem and then organizing, creating, and managing a social venture to attain the desired change. The change may or may not include a thorough elimination of a social problem. It may be a lifetime process focusing on the improvement of the existing circumstances.

While a general and common business entrepreneurship means taking a lead to open up a new business or diversifying the existing business, social entrepreneurship mainly focuses on creating social capital without measuring the performance in profit or return in monetary terms. Along with social problems, social entrepreneurship also focuses on environmental problems. Child Rights foundations, plants for treatment of waste products, and women empowerment foundations are few examples of social ventures. Social entrepreneurs can be those individuals who are associated with non-profit and non-government organizations that raise funds through community events and activities. The key distinguishing factor between social enterprises and conventional enterprises is the underlying objective, which in case of social enterprise is the social purpose. An indicator of this social purpose is that the majority of any profits are reinvested or otherwise used to achieve the social mission of the enterprise.

Social Entrepreneur vs. Social Entrepreneurship

Social Entrepreneur	Social Entrepreneurship
•Anyone who starts a social enterprise (SEFORIS, 2015) •Anyone who uses earned incoem to deliver a social mission (Boschee and McClurg, 2003) •ANyone who engages successfully in social innovation (Dees, 2003; Defourney and Nyssens, 2014)	•A process that starts with the recognition of an opportunity to deliver a social benefit (Martin and Thompson, 2010); may be stating a business (Choi and Majumbar, 2014) •It is a practice that extends to firms and communities and applies same entrepreneurship theories, albeit it has social as well as finnacial impacts (Alvin C. Jones, 2010)

Figure 1.1 Social Entrepreneur vs. Social Entrepreneurship

History of Social Entrepreneurship

The terms Social Entrepreneur and Social Entrepreneurship emerged into common parlance in the early 1980s, when Bill Drayton identified this process as a form of entrepreneurship that tried to find solutions to varied problems of humankind, especially the poor and the marginalized, in an entrepreneurial manner (Drayton, 2002). The following figure illustrates India's stand on social entrepreneurship.

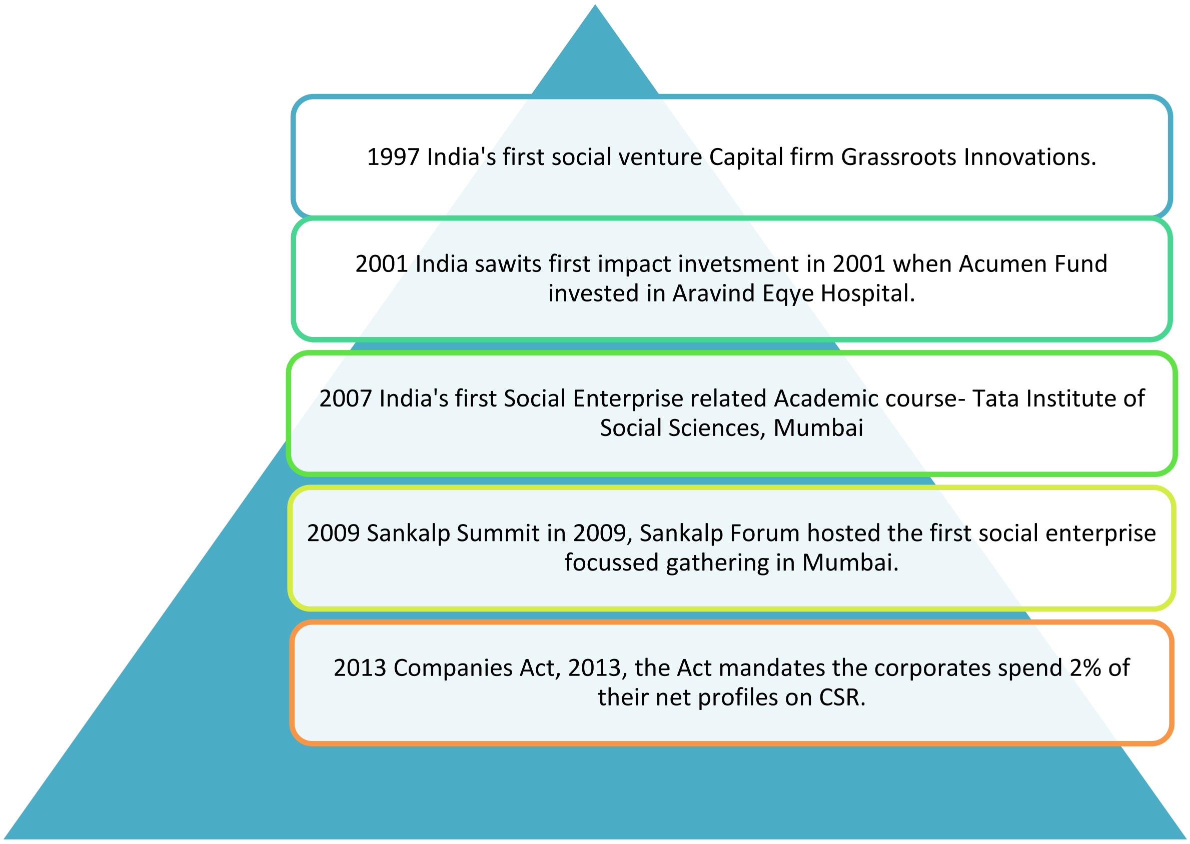


Figure 1.2 History of Social Entrepreneurship

Characteristics of Social Entrepreneur

The key characteristics of social entrepreneurs (Dees, 2017) are as follows.

Figure 1.3 Characteristics of Social Entrepreneurs

Social Entrepreneurship Vs. Charity

Although, social entrepreneurship and charity share similar objectives of benefitting the society at large by creating long-term solutions to complex problems, charities are limited in their scope of work as they primarily focus on the 'vulnerable groups' in societies. On the contrary, social entrepreneurs tend to deal with much wider issues that pertain to the quality of life vis-à-vis environment protection, employment, access to clean water and healthy food, immigration, education, energy, corruption, and democracy, among others.

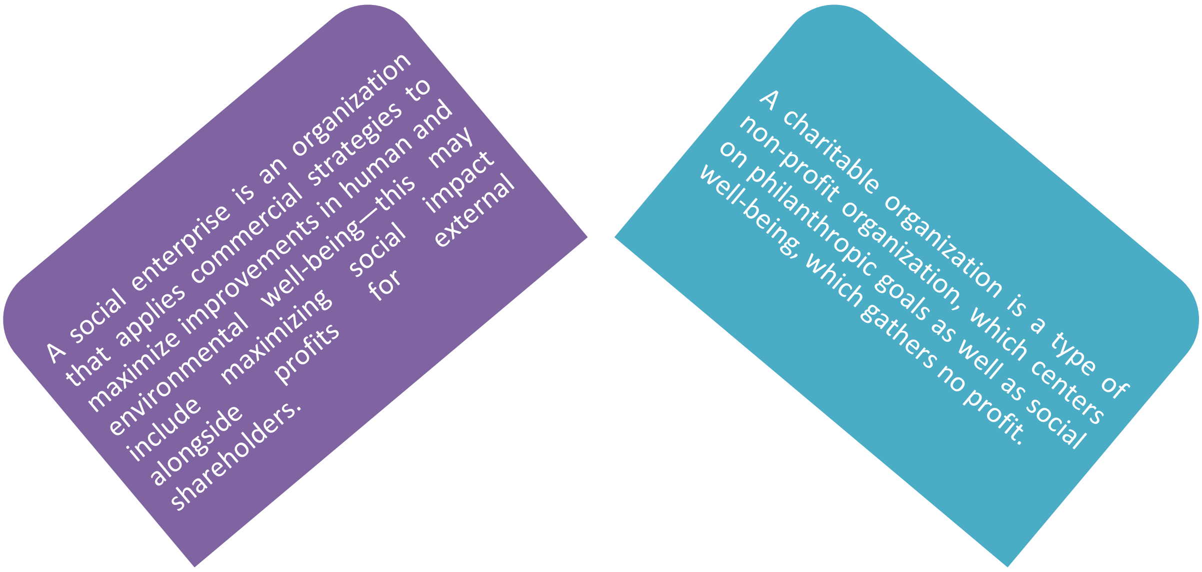


Figure 1.4 Social Entrepreneurship vs. Charity

The present section introduces to the concept of social entrepreneurship and also highlights the emergence of the concept. The unit also talks about the key characteristics of social entrepreneurs, which determine the success of the social enterprise. We then discuss the differences between social entrepreneurship and charity.

To Do Activity

Think of any one social enterprise and one business enterprise. Compare and contrast the working business models for both and them and write down the pros and cons of each entrepreneurship model.

1.2 Forms of Social Entrepreneurship

This section throws light on the different forms of social entrepreneurship. As discussed in unit I, social entrepreneurship is different from traditional entrepreneurship and aims at solving complex social issues. This unit explains the forms of social entrepreneurship with special reference to the profit and non-profit social entrepreneurship.

The different forms of social entrepreneurship can be categorized broadly into two heads, namely, for profit and not for profit entrepreneurships. The following figure highlights the distinction between the two forms based on the concept of social entrepreneurship and its underlying nature of integrating the commercial and social outcomes.

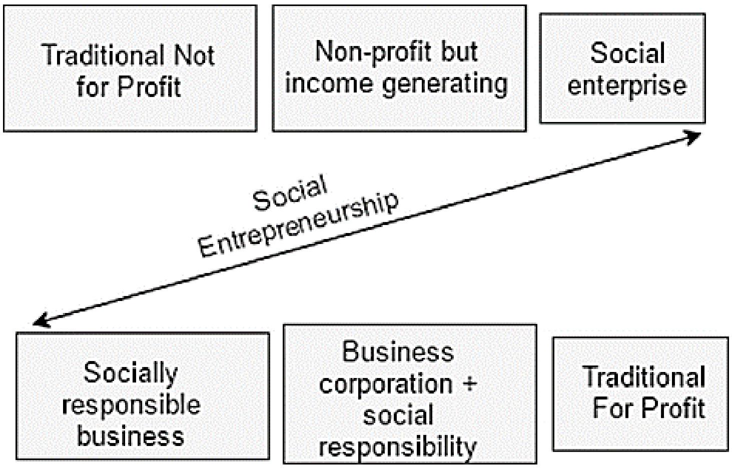


Figure 1.5 Forms of Social Entrepreneurship

(Source Gandhi and Raina, 2018)

A detailed description of these two broad categories is given below

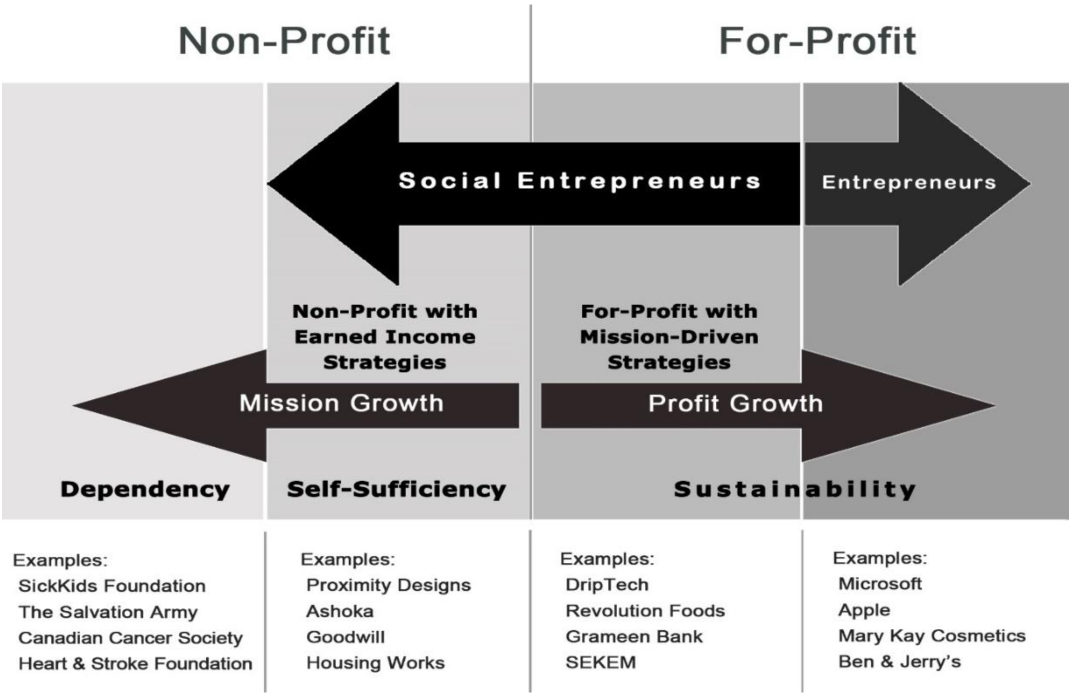


Figure 1.6 The Entrepreneurship Spectrum Illustrating the Boundaries of Social Entrepreneurship

(Source Safina, 2012)

For Profit Social Entrepreneurship

A for profit social entrepreneurship undertakes social and commercial entrepreneurial activities with the objective of achieving sustainability. In this case, the nature of organization in which a social entrepreneur operates is an integration of the social and the commercial. Also, such an organization is financially independent and has the potential to benefit its stakeholders, viz. the founders as well as the investors by providing the personal monetary gain.

Not for profit Social Entrepreneurship

In contrast to the for-profit entrepreneurship, a not for profit social entrepreneurship strives to achieve self-sufficiency by undertaking hybrid commercial and social entrepreneurial activities. Thus, in this case, the organization in which a social entrepreneur operates is both social and commercial.

It may be noted that here, the profits and revenues that are generated out of the activities are utilized towards improving the delivery of social value in a more effective manner.

Factors determining the selection of forms of Social Entrepreneurship

The choice of the form of social entrepreneurship is based on a number of factors. The key criteria that need to be taken care of while making a choice pertain to the distinction in these two forms based on the following parameters.

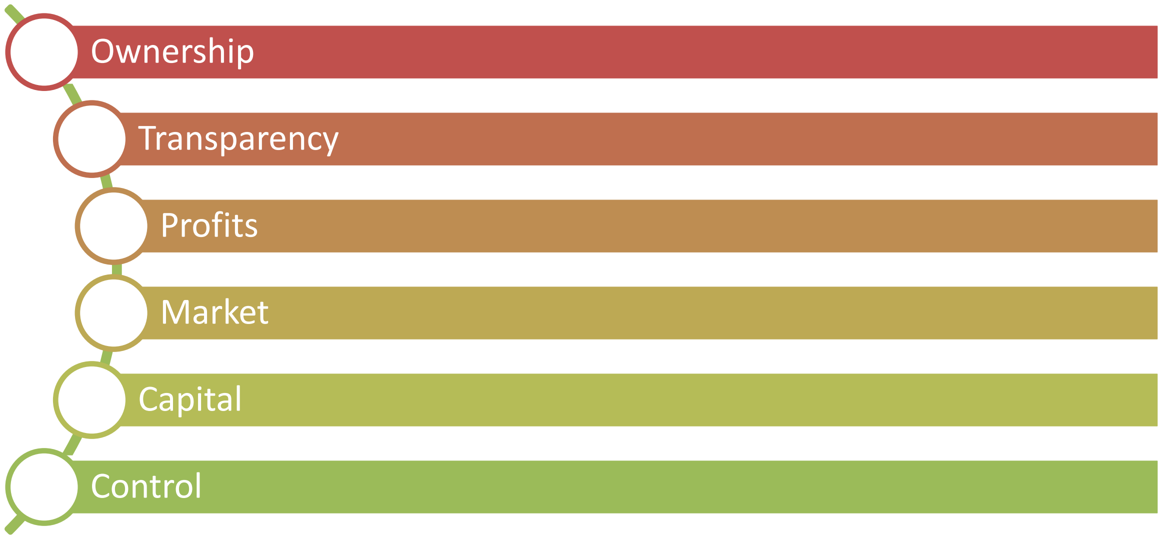


Figure 1.7 Parameters for Selecting the form of Social Entrepreneurship

The Factors are Primarily Categorized into Two Domains

- Environmental factors
  - Internal environmental factors
  - External environmental factors
- Personal factors

The following figure describes the components of these factors in detail.

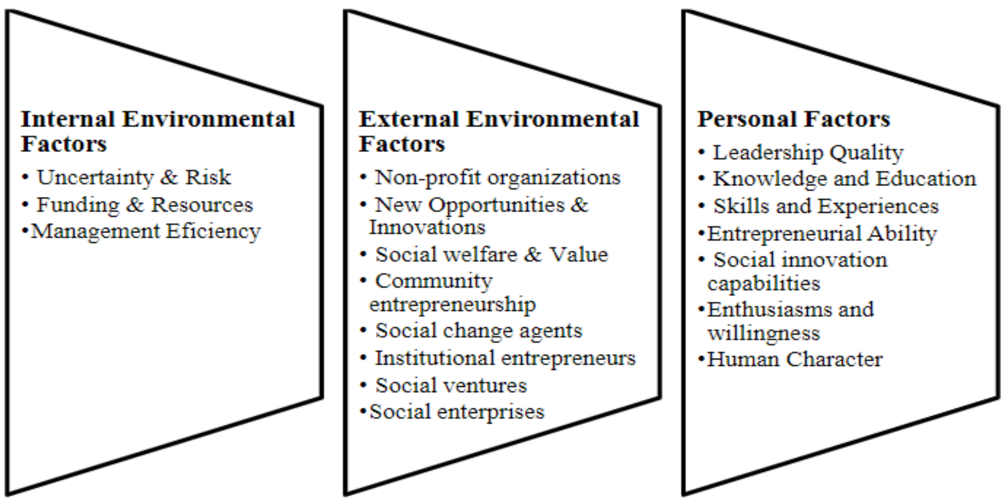


Figure 1.8 Factors Determining the Selection of forms of Social Entrepreneurship

(Source Faruk, Hasan and Islam, 2016)

The present section describes the two broad domains of social entrepreneurship – for profit and not for profit social entrepreneurship. A for profit social entrepreneurship undertakes social and commercial entrepreneurial activities with the objective of achieving sustainability. In contrast to the for-profit entrepreneurship, a not for profit social entrepreneurship strives to achieve self-sufficiency by undertaking hybrid commercial and social entrepreneurial activities. We also discussed the key factors that influence the choice of form of social entrepreneurship by analyzing the environmental as well as the personal factors.

To Do Activity
Identify up to 5 social entrepreneurs in your area. Classify them based on their objective (For profit or not for profit etc.). Discusswith them how they made the selection of the form of social enterprise. Write a one-page report on your observations.

1.3 Theory of Change

This section examines the nature of social entrepreneurship and highlights the underlying theory of change that lays the theoretical foundation for understanding the role of social entrepreneurship as a transformative change.

Social Entrepreneurship as a Transformative Change

Table 1.1 Social Entrepreneurship vs. Business Entrepreneurship

Basis of Distinction	Social Entrepreneurship	Business Entrepreneurship
Emphasis on Individual vs. Team	The focus is more on gauging the feasibility of the project on the basis of individuals.	In this case, the decisions for the viability of the project are on the basis of team leadership.
Perceptions of Value	The value is reflected in the social benefit that is derived by the community at large and is attributable to the transformation witnessed in a vulnerable community.	The value is reflected in the profits of the enterprise, which are distributed among the shareholders and other stakeholders.
Measure of Profitability	The profitability of social enterprise is measured by the contribution made to support the social causes. Hence, social entrepreneurship can be regarded as a not for profit entrepreneurship.	The profitability of business entrepreneurship is measured through the benefits obtained by the stakeholders out of the profits earned by the organization.
Approach to wealth creation	The wealth is created by a social entrepreneur in order to transform community and hence, effect a social change.	The wealth created by a business entrepreneurship is primarily drive by the innovation integrated with the commercial strategies so as to provide direct benefit to the consumers.

Social entrepreneurship deals with the application of commercial strategies to solve complex social problems. This asserts that social entrepreneurship defines the challenges and applies theory of change to determine the different ways in which the social entrepreneurs can address these complex problems and solve them by using a specific set of interventions.

These are illustrated below:

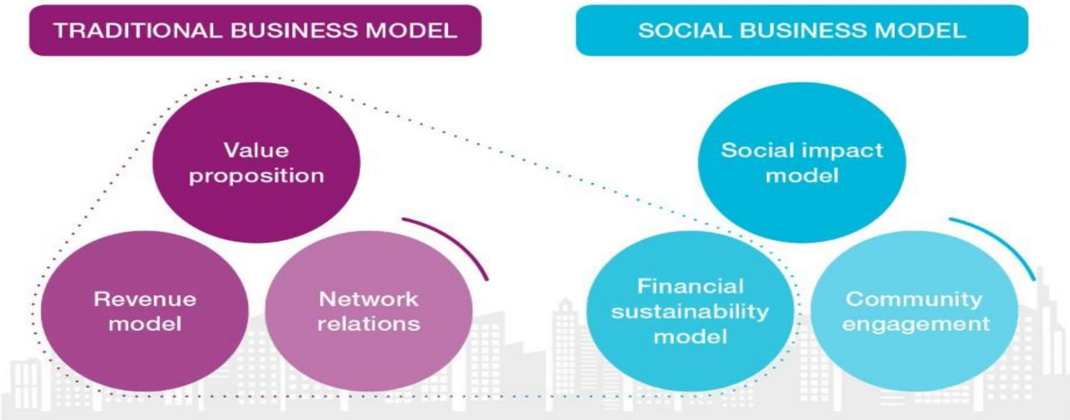


Figure 1.9 Social Business Model vs. Traditional Business Model

(Source https//www.ericsson.com/en/trends-and-insights/networked-society-insights/social-business)

Theory of Change

Theory of change is described as a strategy that delineates the different ways in which a social enterprise will effect social change. The strategy is characterized as

- Specific
- Measurable
- Contextualized

The theory of change primarily addresses the following questions

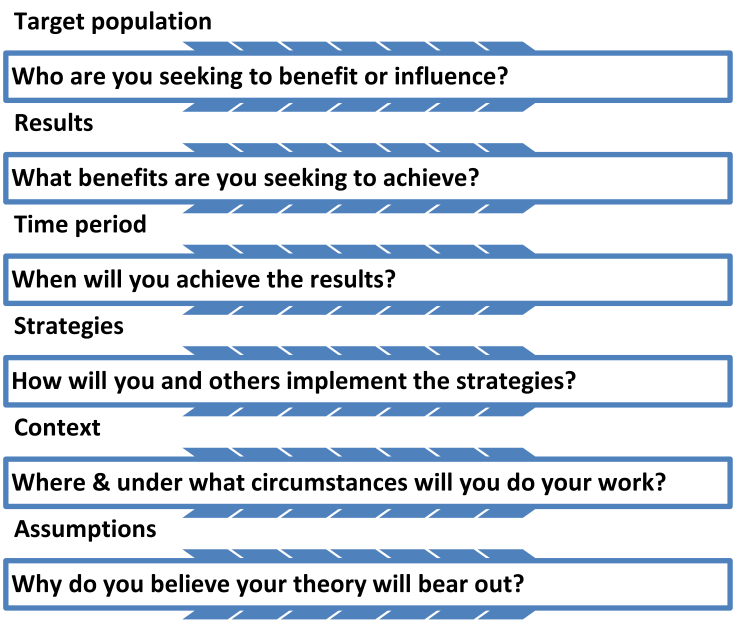


Figure 1.10 Theory of Change – Foundation

The following figure explains in detail the key components of change. It highlights the plans of the organization in terms of its inputs and activities and also the expected results in terms of outputs, outcomes and impact.

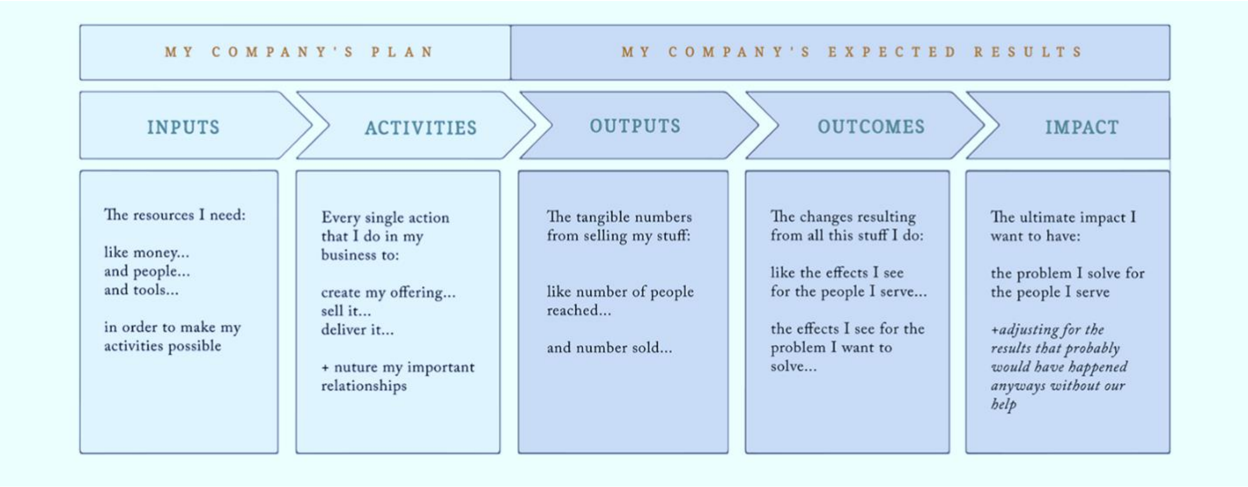
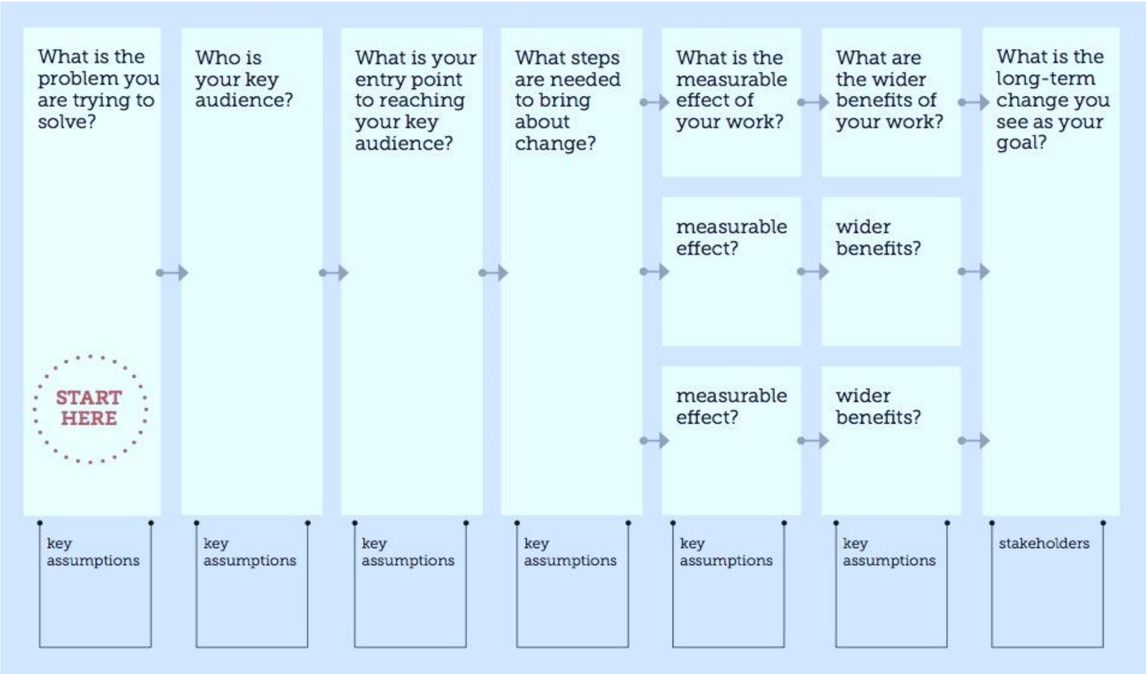


Figure 1.11 Theory of Change – Plan and Expected Outcomes

(Source https//rankandfilemag.com/issue-10/theory-of-change-guide-for-social-impact-modeling/)

Activity

Based on the theory of change foundation and plans and outcomes, create your own change plan in the following activity chart



(Source https//diytoolkit.org/tools/theory-of-change/)

In this section, we discussed about the role of social entrepreneurship as a transformative change agent. The basic objective of social entrepreneurship is to solve complex social problems by implementing the specific set of interventions. We then described the foundational questions that the theory of change addresses along with its plans and expected outcomes.

To Do Activity

Think of up to 3 social entrepreneurial ideas. For any one of them, assess what all are the potential contributions to the community and the society if the idea is implemented successfully.

1.4 Creating Social Change

This section introduces you to the process of creating social change. The process of creating this change is contingent upon certain factors such as the social value, legal structure, and community mapping, among others. This unit will provide detailed information on the key issues and concerns for creating a social change.

Social Business Opportunities

From the definition of social entrepreneurship, it can be asserted that social entrepreneurship aims at supporting a social cause. Hence, the opportunities for social entrepreneurs can be attributed to the need for creating social value so as to benefit the community at large. The most common path followed to achieve this objective is to identify the vulnerable segment of the society and find out their areas of needs. A social entrepreneur then tries to formulate the strategies to solve these problems and contribute towards the upliftment and development of that vulnerable community. Thus, we can say that the key motivation for driving social entrepreneurship is the creation of social value as opposed to the creation of wealth. It integrates the profit as well as non-profit ventures so as to generate positive returns for the society at large. In short, the prime focus of social entrepreneurship is to resolve environmental, social, and cultural issues and not maximizing the financial gains.

Legal Structure

A legal structure may be defined as the legal business structure that a social organization may take. A legal structure determines the operations of the organization by defining the elements vis-à-vis amount of tax liability, eligibility for the grant in aid or the investments etc. For social entrepreneurship, there are different types of legal structures that can be employed while setting up an enterprise. However, due to diverse rules and complexities involved for each structure, it is very important to decide the legal structure judiciously. Some of the examples of legal structures in India include the following

- Unincorporated association
- Sole Trader
- Trust
- Partnership
- Company Ltd by Shares (CLS)
- Charitable Incorporated Organization (CIO)
- Company Ltd by Guarantee (CLG)
- Community Interest Company, limited by guarantee (CIC – CLG)
- Community Interest Company, limited by shares (CIC – CLS)
- Limited Liability Partnership

- Community Benefit Society (CBS)
- Co-operative Society (previously IPS)

Community Asset Mapping

The term “community asset mapping” may be defined as a tool that provides a framework to target the local audience and to further engage them in the activities of a social enterprise. In simple words, it looks at the community through a transformed lens. The prime objective behind community asset mapping is to involve the community and take it ahead as a part of the social venture and hence strive towards the overall sustainable growth and development of community at large. The process of community asset mapping involves the following steps

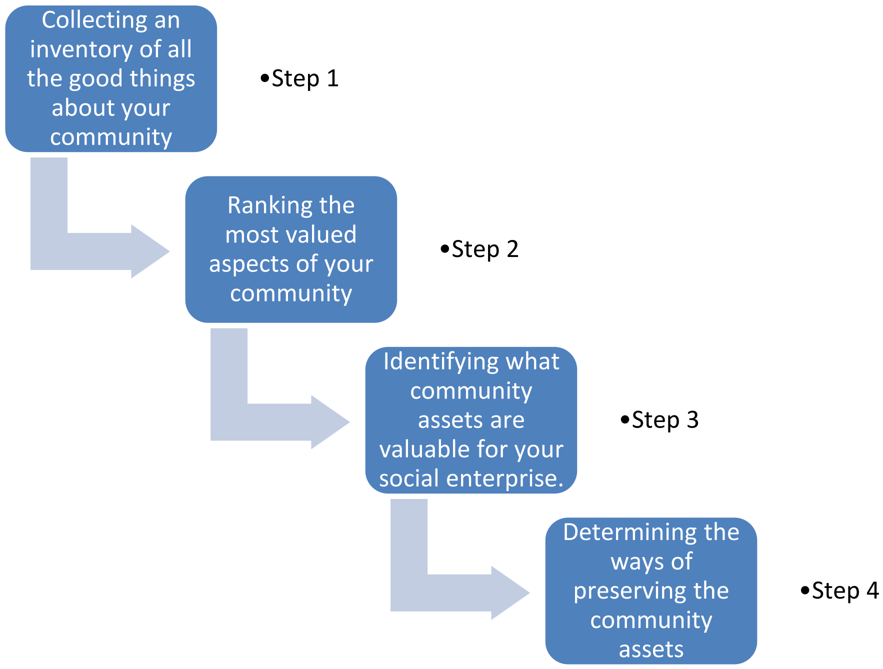


Figure 1.12 Steps Involved in Community Asset Mapping

A sample community asset map is given below

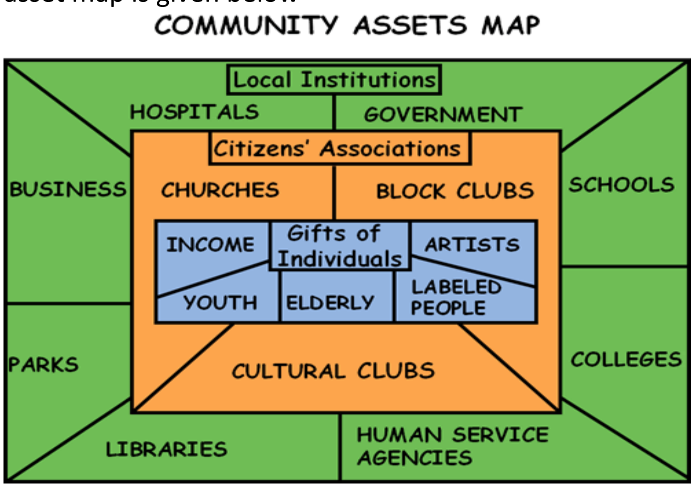


Figure 1.13 Sample Community Asset Map

(Source https//myemail.constantcontact.com/The-Vitality-of--ABDC-and-the-Movers---Shakers-in-Research-Action-for-a--Healthy---Wealthy-Continental-African-Population.html?soid=1105463482084&aid=Sn8r3-QFKeA)

Social Value Proposition

A social value proposition (SVP) defines the "cause" or driving "force" behind a social enterprise. It plays a significant role for the company by stating the social cause for the setting up the organization. It may be noted here that as the social enterprise grows, the focus shifts from the initial social value proposition to the internal organizational growth. Hence, it can be argued that social value proposition plays a central role in defining the operations of the company. The following figure illustrates this concept in more detail

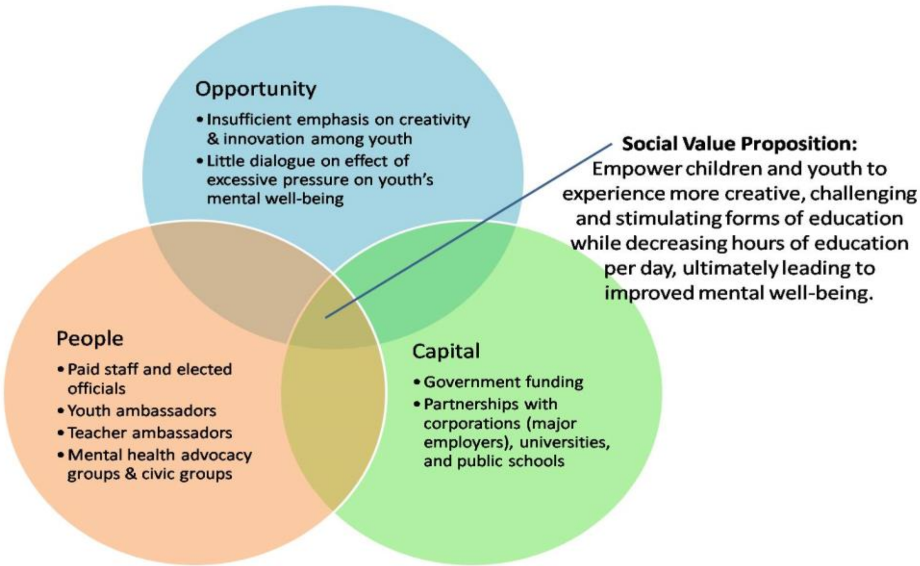


Figure 1.14 Social Value Proposition

(Source Social Entrepreneurship Framework (Skillen et al., 2007, Entrepreneurship in the Social Sector)

This unit throws light on the social change that the social entrepreneurship aims to achieve. It first emphasizes on the process of social change and also the factors that influence this process. The process of creating this change is contingent upon certain factors such as the social value, legal structure, community mapping etc. All these factors are discussed in detail in the unit.

To Do Activity

Search on the internet or in other sources and identify the various incentives that are offered by the Government of India for promoting social entrepreneurship in India. Analyze the change brought in by these initiative in terms of growth of entrepreneurial set ups in the country.

1.5 Sustainable Development

This section lays emphasis on the sustainable development in context of social entrepreneurship. It describes the concept of sustainability and its importance for the community. Social entrepreneurship aims at adopting innovative measures to effect social changes, taking into consideration the social and ecological spheres.

Concept of Sustainable Development and its Importance

In business parlance, the concept of sustainable development can be defined as follows "For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future." (International Institute for Sustainable Development, 1992, p. 11). The purpose of sustainable development revolves around balancing our social, economic, and environmental needs, thereby allowing prosperity for both 'now' and 'future' generations. The following figure depicts the concept of sustainability.

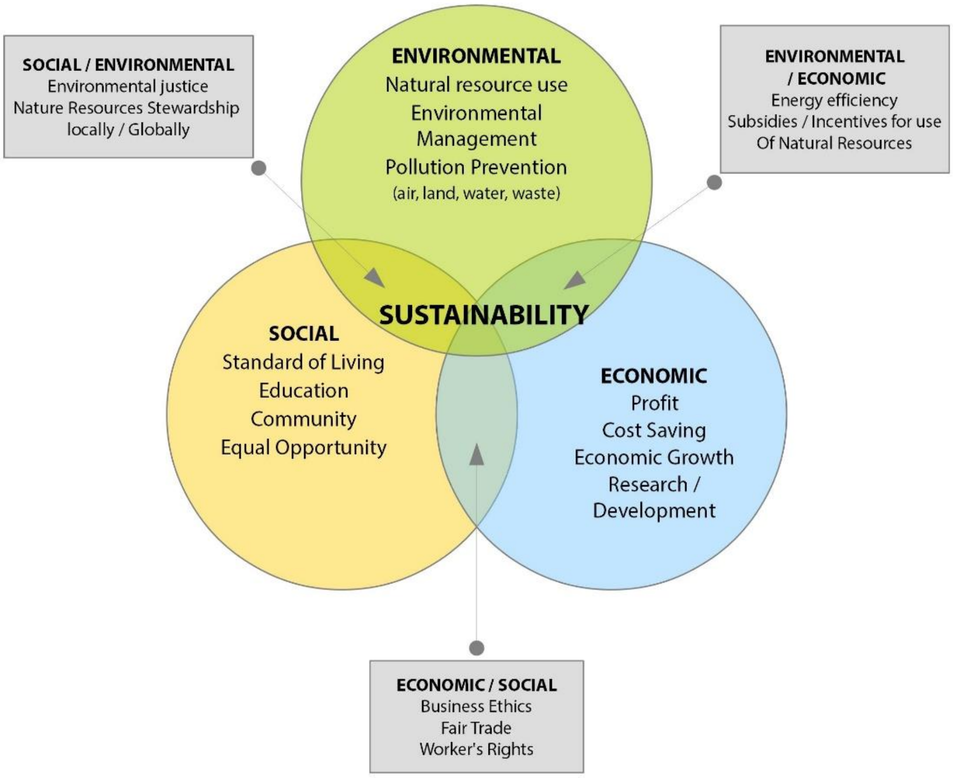


Figure 1.15 Sustainable Development and Social Entrepreneurship

(Source Warden, 2016)

Factors Affecting the Sustainable Development

The factors that determine the extent of sustainability are categorized into three spheres. From a wider perspective, it is evidently in the interest of the business to operate within a healthy environment and economy. It is a widely accepted notion that the growing and sustainable economies in the developing countries together will provide the greatest prospects for expanding markets.These factors are also described in the figure below.

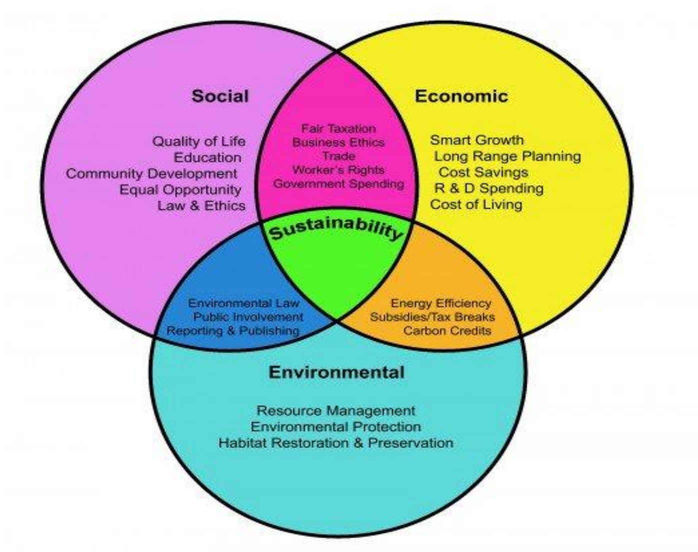


Figure 1.16 Factors Affecting Sustainable Development for Social Entrepreneurship

(Source Chris, 2018)

The Millennium Ecosystem Assessment

Millennium Ecosystem Assessment, 2005 is defined as "An assessment of the consequences of ecosystem change for human well-being and the scientific basis for action needed to enhance the conservation and sustainable use of those systems and their contribution to human well-being (called for by the United Nations Secretary-General in 2000)". The Millennium Assessment emphases on

- How humans have transformed the ecosystems?
- How these changes in the ecosystem services have further influenced human well-being?
- How ecosystem changes may affect people in future decades?
- What types of responses can be adopted at local, national, or global scales to improve ecosystem management and thereby contribute to human well-being and poverty alleviation?

The details about the assessment can be found at https//youtu.be/aIGeYfQGZeg

To Do Activity

Observe the present business scenario and prepare a millennium ecosystem assessment framework. From this framework, identify one major change that you would like to introduce through social entrepreneurship venture.

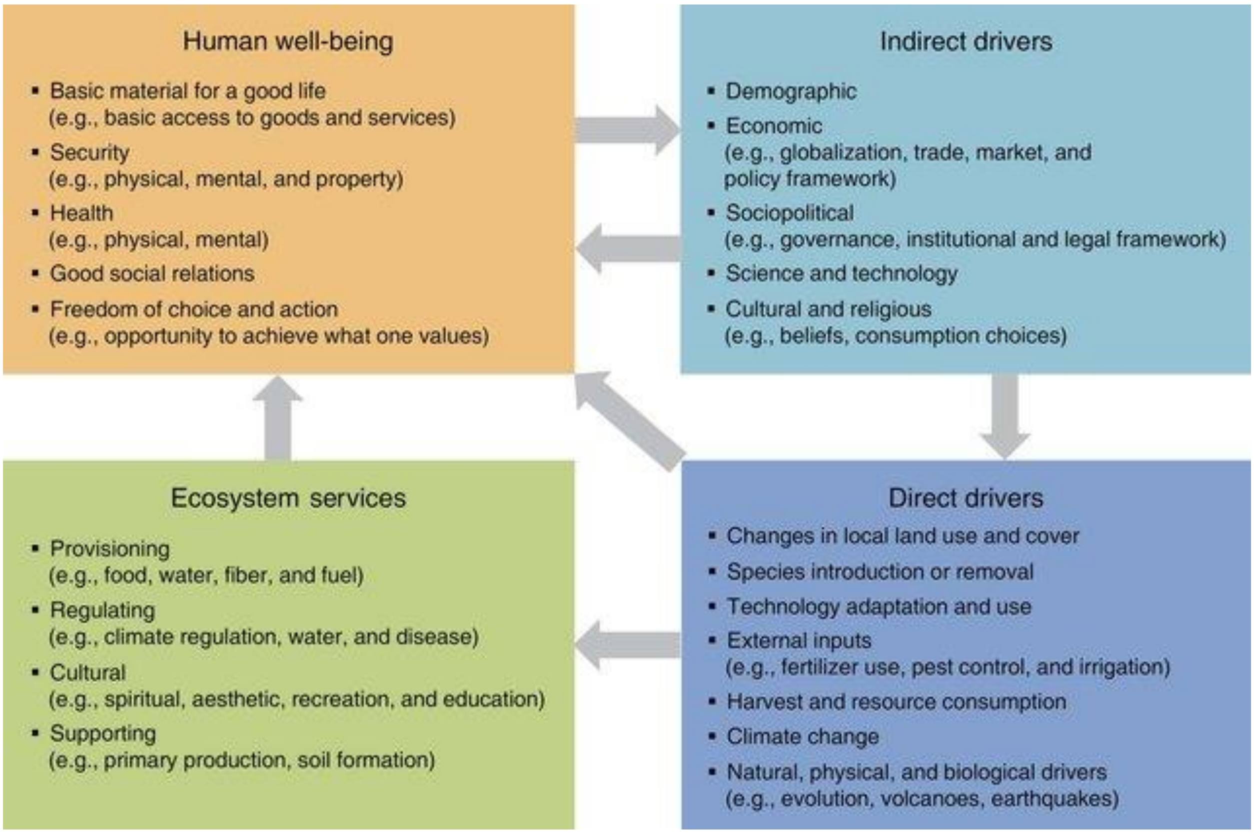


Figure 1.17 Millennium Ecosystem Assessment

(Source Wang et al., 2015)

This Section lays emphasis on the sustainable development in context of social entrepreneurship. Social entrepreneurship aims at adopting innovative measures to effect social changes, keeping into consideration the social and ecological spheres. The purpose of sustainable development revolves around balancing our social, economic and environmental needs, thereby allowing prosperity for both 'now' and 'future' generations. The following figure depicts the concept of sustainability. From a wider perspective, it is evidently in the interest of the business to operate within a healthy environment and economy.

Model Questions

1. How is social entrepreneurship different from charity?
2. What are the different forms of social entrepreneurship?
3. How does social entrepreneurship effect social change?
4. Explain in detail the concept of community asset mapping.
5. What is social value proposition? Why is it important for a social entrepreneurship?
6. What is sustainable development? What are the elements of sustainable development?
7. Explain Millennium Ecosystem Assessment in detail.

Suggested Readings

1. "5 Bad Reasons to Start a For-Profit Social Enterprise" – Rich Leimsider, Harvard Business Review, 2014.
2. 5 Things Great Social Entrepreneurs Do Differently – Tori Utley, Forbes (2018).
3. Deep Optimism the Unique Outlook of Social Entrepreneurs – Devin Thorpe, Forbes (2018).

4. Getting Beyond Better How Social Entrepreneurship Works – Roger Martin and Sally, HBRP, 2015
5. How Social Entrepreneurs Change the World – Steve Denning, Forbes, 2015
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9. Economies of Scale in Sustainability – Sara Warden, 2016 (retrieved from http//www.renewableenergymexico.com/economies-of-scale-in-sustainability/, accessed on 18/2/2019 at 2.55pm)
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Chapter 2 Building A Sustainable Business Model

Introduction

A deeper understanding about sustainability is a must for every business. We can say that a sustainable company is one which has its objectives, purpose and actions equally aligned in financial, economic and social concerns. Achieving sustainability for a business is a tough task and not an easy one. It includes many complexities and issues that are to be taken care of.

Role of business model in social venture

Objectives

- To understand role of business model in a social venture and social impact theory
- To gain insight in to the source of funding for social entrepreneurs
- To gain insight on the various social marketing strategies
- To learn to apply various tools for measuring impact
- To describe the challenges for social entrepreneurs

2.1 The Business Model

We can define a business model as a structure, design or framework that a business has to follow in order to ensure value to its customers and clients. Social enterprises apply the solutions of the business problems to the social problems and try to find out solutions for the same. Their major objective is to achieve sustainability by enabling the nonprofit organizations to be able to support themselves financially rather than being dependent on donations and government grants.

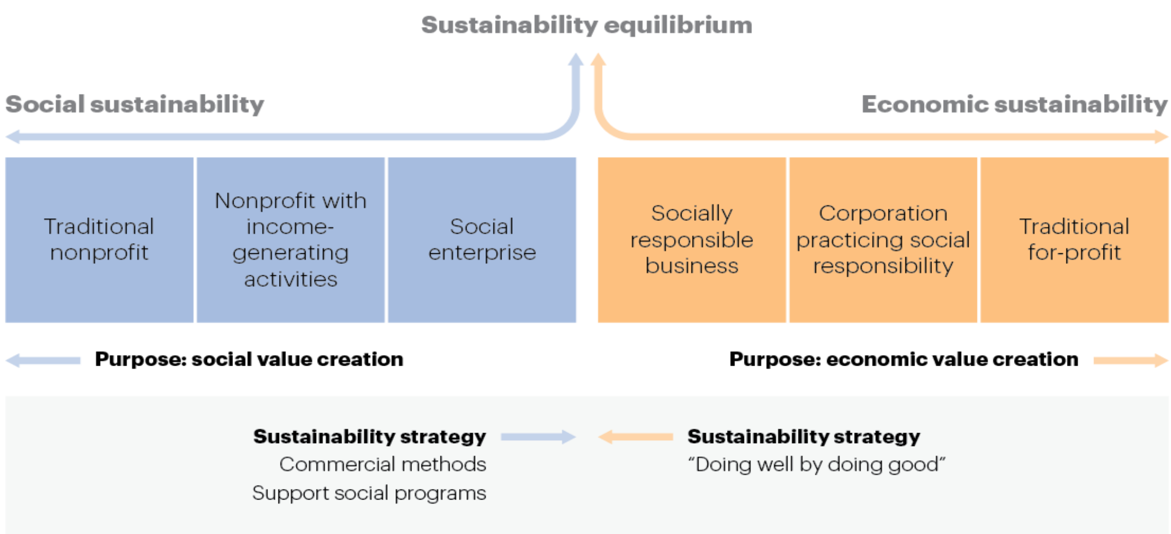

Figure 2.1 Social Venture and Sustainability

(Source The Four Lenses Strategic Framework, Virtue Ventures LLC, 2010; A.T. Kearney Analysis)

Equitable Distribution of Value

The utmost important factor for any business model is the value proposition. It is really very important that the products and services yield tangible and profitable results for the target customers of the company. It's the concept of value proposition that will distinguish a company from its competitors. For any company possible areas for innovation and adaption are certainly production and marketing. It will include all the set of activities related to providing and marketing of a good or service to the consumer. At the production side it will consist of activities related to creation of value and from the marketing perspective the activities will lead to capturing of value.

The Business Model Canvas

Business Model Canvas is defined as strategic management and lean startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs.

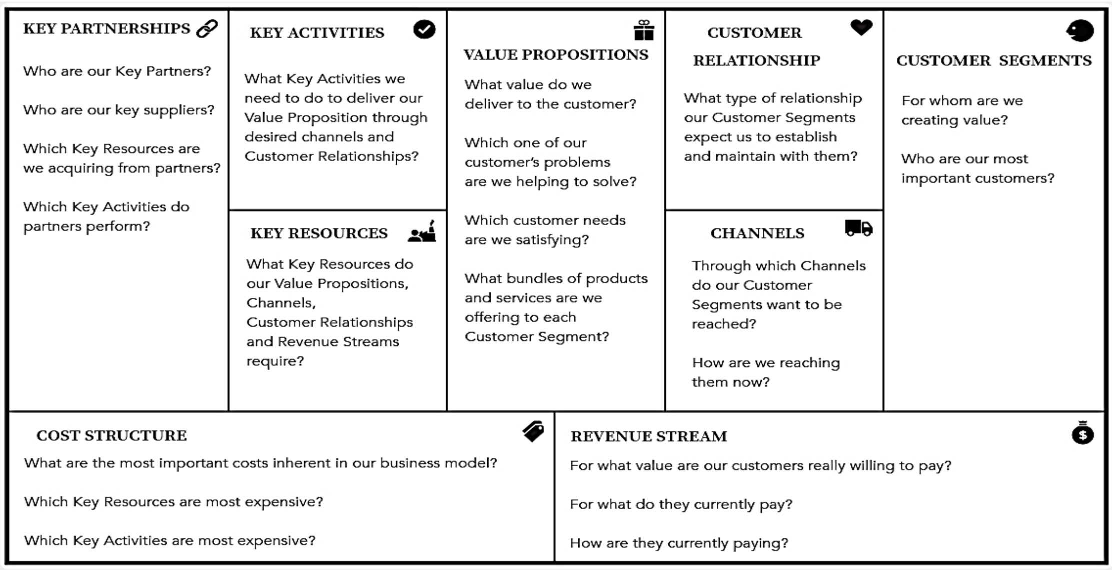

Figure 2.2 The Business Model Canvas

(Source https//www.eship.ox.ac.uk/business-model-canvas-explained)

A business model canvas will systematically reflect on the business model of the company. This enable to focus on our business model segment wise. Various points included can be seen in the above figure.

Social Business Model Framework

A business model can be called a structure design or a framework that is followed by a business to bring value to its customers and clients. Based upon the above definition we can conclude that a social business model can be called a structure, design or a framework that a social business follows so that it can bring a positive change along with maintaining healthy financial returns.

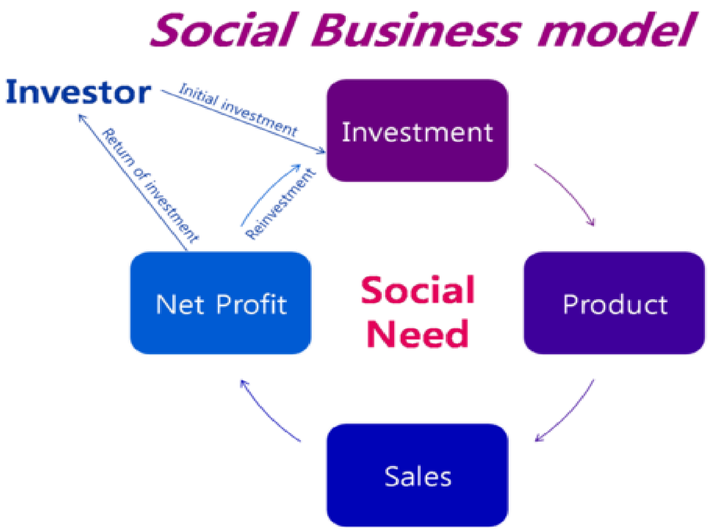

Figure 2.3 Social Business Model

(Source https//www.pngkey.com/detail/u2r5a9e6a9w7w7a9_professor-yunus-believes-such-projects-might-work-especially/)

Social Impact Theory

Social impact theory states that amount of influence experienced by a person in a group setting depends upon the following factors

- Strength of the group
- Number of people in the group that exert social influence
- Immediacy of the group

This theory is different from the others as it focuses on strength and immediacy. A detailed analysis is presented below

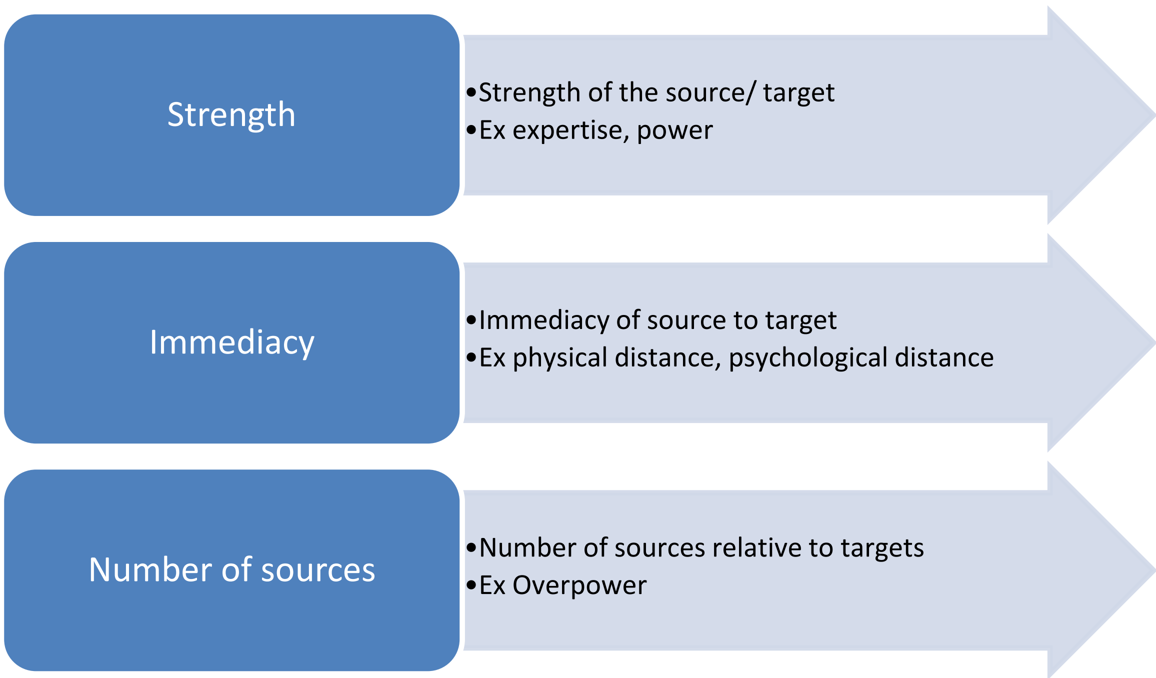

Figure 2.4 Social Impact Theory

A deeper understanding about sustainability is a must for every business. Social enterprises apply the solutions of the business problems to the social problems and try to find out solutions for the same. The utmost important factor for any business model is the value proposition. It is really very important that the products and services yield tangible and profitable results for the target customers of the company. A business model canvas will systematically reflect on the business model of the company. This enables to focus on our business model segment wise.

To Do Activity

Take any social enterprise of your choice that is accessible to you. Prepare a social business model for that enterprise.

2.2 Financial Management

Financial Management is defined as "planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise." In other words, it is the application of general management principles to the financial resources of the enterprise. Since the underlying objective of setting up a social enterprise is to effect social change and provide solutions to the complex social problems, the element of financial management becomes more crucial in case of social entrepreneurship. This unit will highlight the various elements of financial management in a social enterprise.

Finance Networking

"A financial network is a concept describing any collection of financial entities (such as traders, firms, banks and financial exchanges) and the links between them, ideally through direct transactions or the ability to mediate a transaction." (Nagourney and Key, 2001)

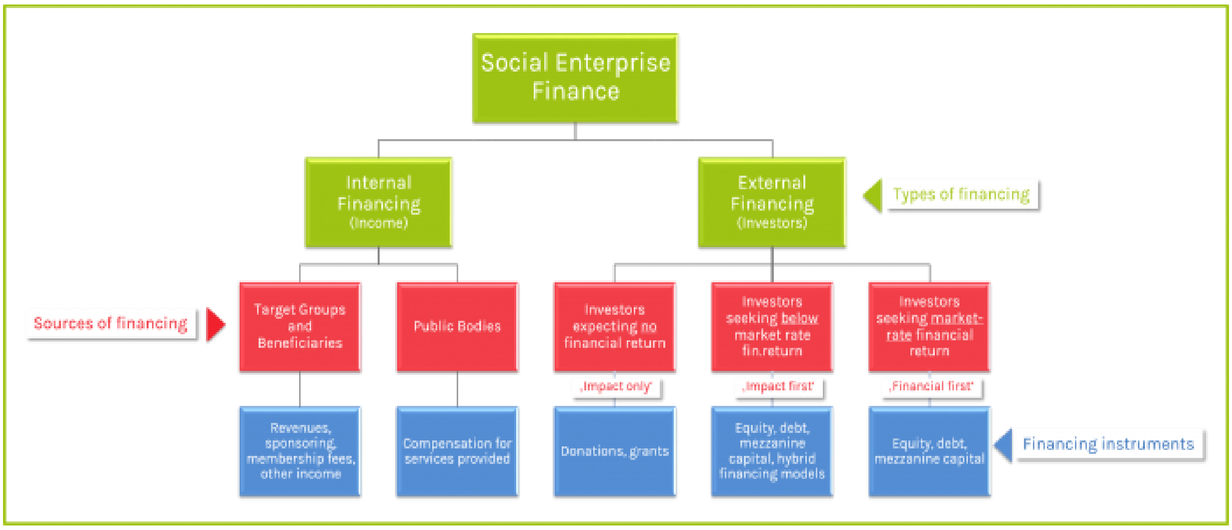

Figure 2.5 Financial Management in Social Entrepreneurship

(Source Christina Moehrle, Social Finance Academy, June 22, 2018)

Sources of Funds

Because of the fact that the structure of social enterprises is distinct from a traditional business or charity enterprise, the sources of funds for these social entrepreneurs are also different. Broadly, their sources of funds may include investments, grants or a combination of both.

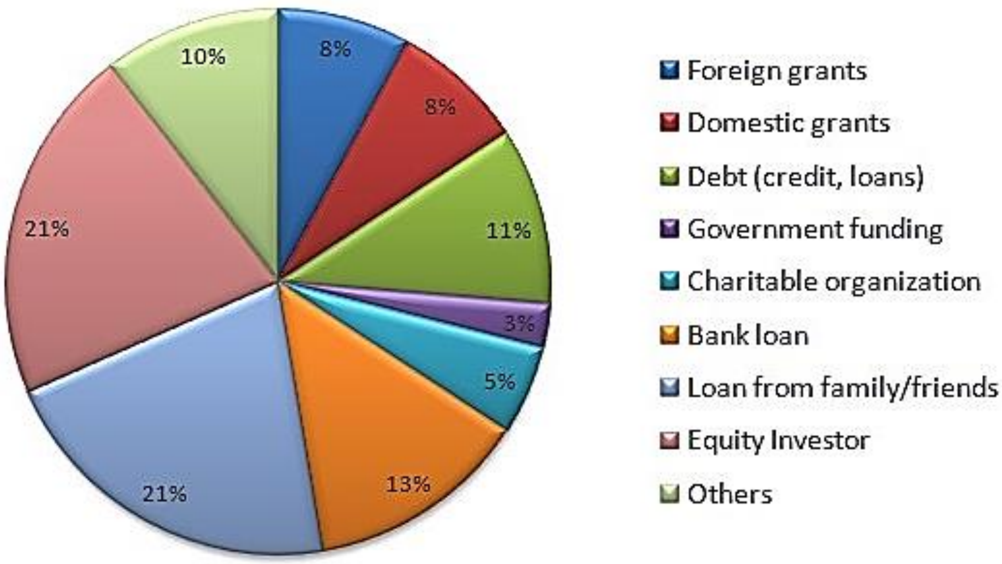

Figure 2.6. Sources of Funding for Social Entrepreneurship

(Source https//indiamicrofinance.com/main-sources-funding-social-enterprise-india-social-business-survey.html)

How to Raise Capital as a Social Entrepreneur?

1. Detailed information (https//www.youtube.com/watch?v=CWwVJsKMlEI) on raising funds for social entrepreneurship

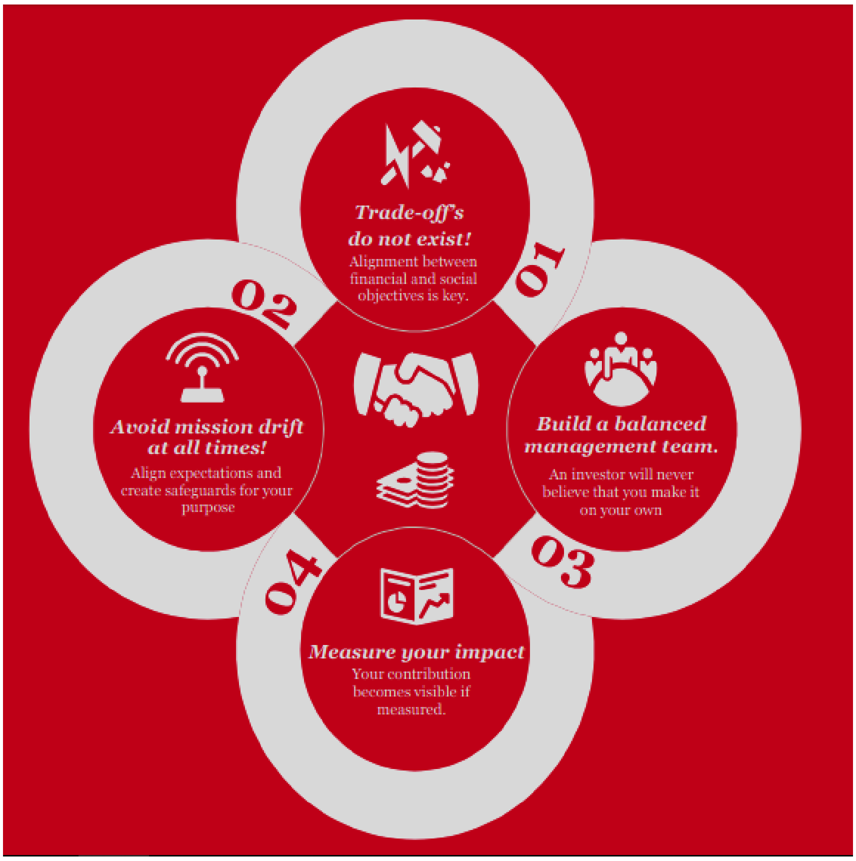

Figure 2.7. How to Raise Funds for Social Entrepreneurship?

(Source https//www.pwc.nl/nl/assets/documents/pwc-social-enterprises.pdf)

Achieving Financial Stability

It has been observed that the traditional businesses achieve financial sustainability by either of the following.

- Growing their revenue.
- Improving their gross margins.
- Improving their operating margins.
- Increasing their free cash flow.
- Efficiently managing capital expenditures.
- Efficiently managing working capital.
- Building their asset base.

In contrast to the traditional business enterprises, social enterprises also aim at achieving the financial sustainability, except that they value social impact over profit. Also they use the profits for creating a social impact. This hybrid structure becomes the foundation for achieving the financial sustainability in social entrepreneurship. Here, in this case, the "income generating activities", popularly termed as IGAs, contribute towards achievement of this objective of financial sustainability. These IGAs reduce the dependence on the government agencies or other grant giving foundations (Shaughnessy, 2012).

Building a Financial Sustainable Model

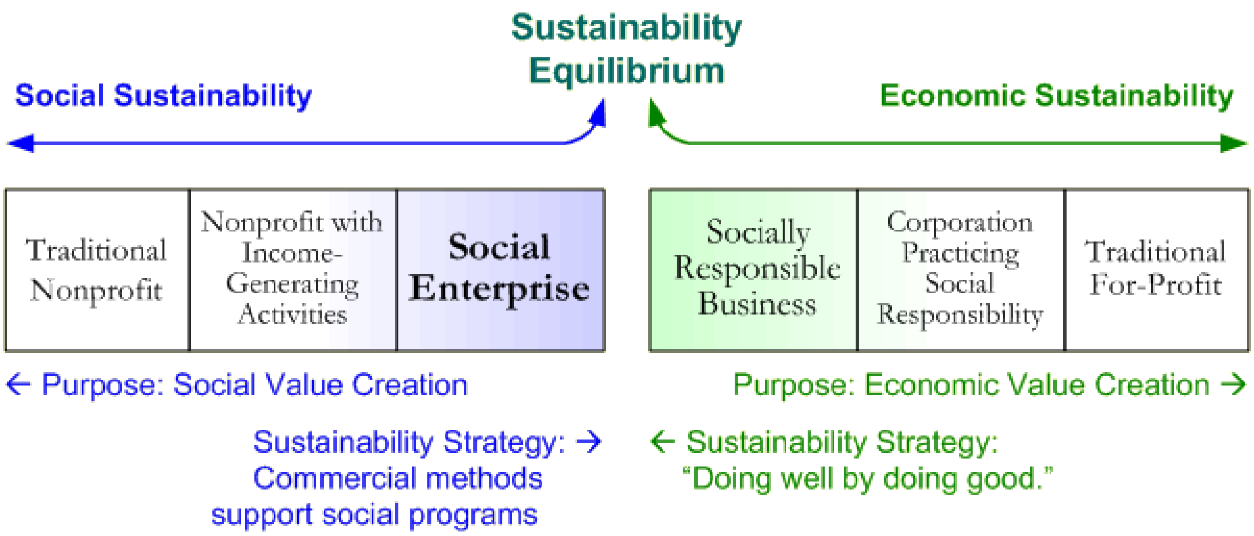

Figure 2.8 Building a Financial Sustainable Business Model

(Source http//www.4lenses.org/setypology/print)

Financial management is the application of general management principles to the financial resources of the enterprise. Since the underlying objective of setting up a social enterprise is to effect social change and provide solutions to the complex social problems, the element of financial management becomes more crucial in case of social entrepreneurship. A financial network is a concept describing any collection of financial entities (such as traders, firms, banks and financial exchanges) and the links between them, ideally through direct transactions or the ability to mediate a transaction. Because of the fact that the structure of social enterprises is distinct from a traditional business or charity enterprise, the sources of funds for these social entrepreneurs are also different. Broadly, their sources of funds may include investments, grants or a combination of both. In contrast to the traditional business enterprises, social enterprises also aim at achieving the financial sustainability, except that they value social impact over profit. Also they use the profits for creating a social impact. This hybrid structure becomes the foundation for achieving the financial sustainability in social entrepreneurship.

To Do Activity

Talk to any social entrepreneur accessible to you. Understand how they assessed their capital requirements at the time of starting their venture. Understand the various challenges that they face while raising capital for their venture. What was different alternatives and how did they make a decision? Write this into a half-page report.

2.3 Marketing and Human Resource Management

This section will throw light upon the basics of Social Marketing its Principles and various marketing strategies. The unit also describes the concept of Human Resource Management.

Social Marketing

Social Marketing can be seen as an approach which is used to develop activities aimed at changing or maintaining people's behavior for the benefit of individual as well as the society. Social marketing is a combination of commercial marketing and social science. Social marketing is helpful in influencing behavior in a cost effective and sustainable manner. Click here (https//youtu.be/nf3FW1XhA6s) for details.

Components of Social Marketing

Example of Social Marketing

Figure 2.9. Concept of Social Marketing

(Source https//richtopia.com/strategic-marketing/what-is-social-marketing-how-does-it-work)

Principles of Social Marketing

Social marketing uses commercial marketing principles and techniques to improve the welfare of people including the physical, social and economic environment in which they reside. Its actually a very planned and long-term approach to change human behavior. The following figure explains the 8 Benchmark criteria delineating how social marketing works.

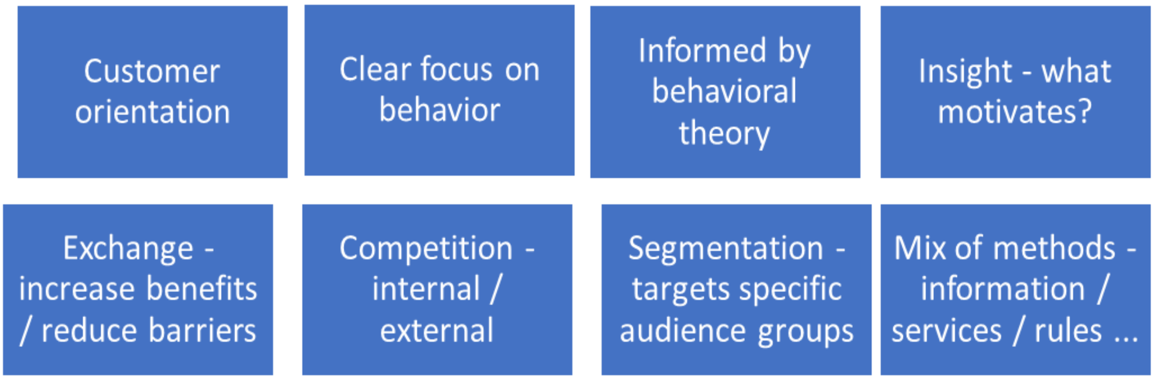

Figure 2.10 Principles of Social Marketing

Social Marketing Strategies

This strategy is actually a summary of everything we plan to do and what the company hopes to achieve. It provides a guideline for the company. The strategy must be developed in a proper and specific way so that it is effective and helpful in the company's profitability.

Figure 2.11. Social Marketing Strategies

(Sourcehttps//www.slideshare.net/barenblat/viral-marketing-advertising-strategies-for-social-networks/14-Social_Marketing_Strategy_WHY_WHO)

Human Resource Management

Human resource management, HRM, is the function of a business organization that aims to look after the hiring, management and firing of staff. HRM focuses on the function of people within the business, ensuring best work practices are in place at all times. It aims to ensure smooth running of the business and smooth functioning of the staff within the organization.

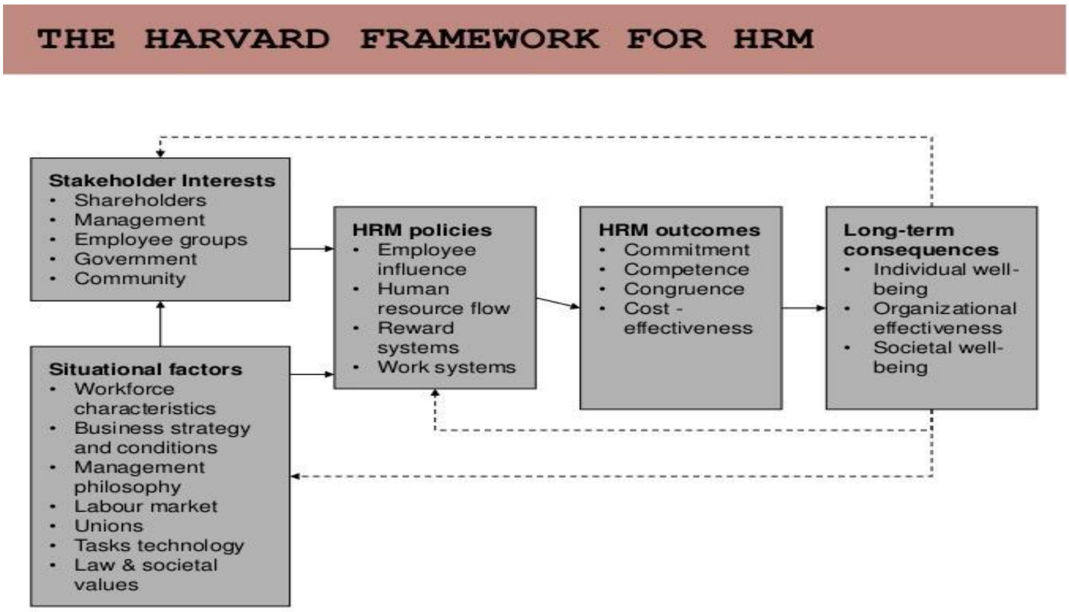

Figure 2.12. Human Resource Management Concept

(Source https//www.managementstudyhq.com/hrm-models.html)

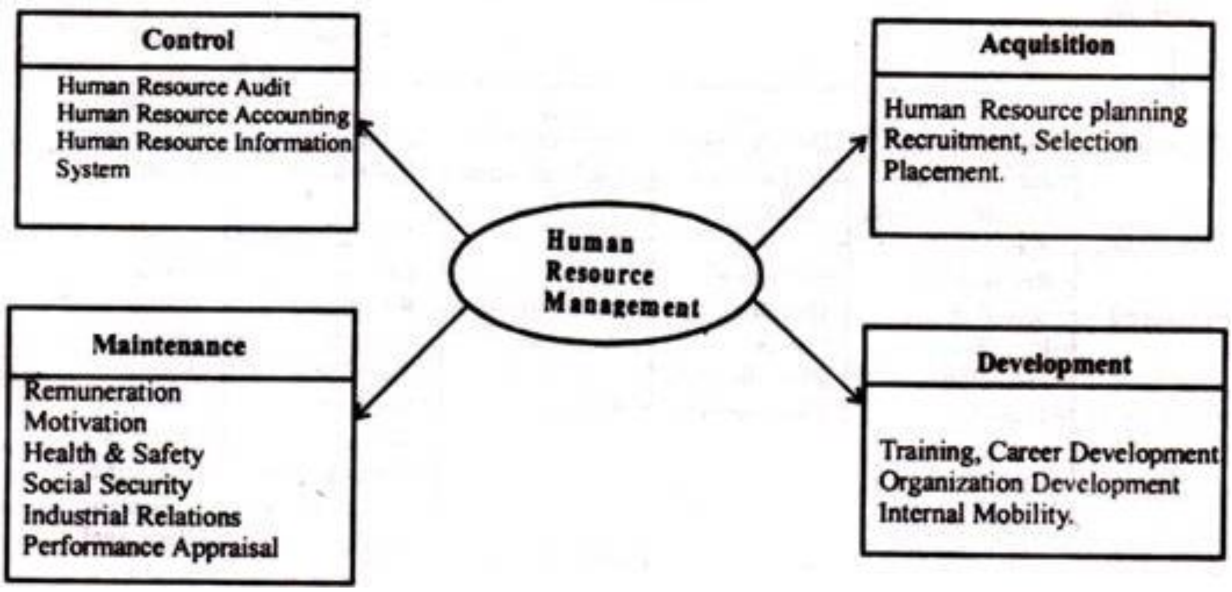

Figure 2.13 Scope of Human Resource Management

(Source http//www.yourarticlelibrary.com/hrm/human-resource-management-meaning-objectives-scope-and-functions/35229)

There are a whole lot of functions that HRM includes. They are

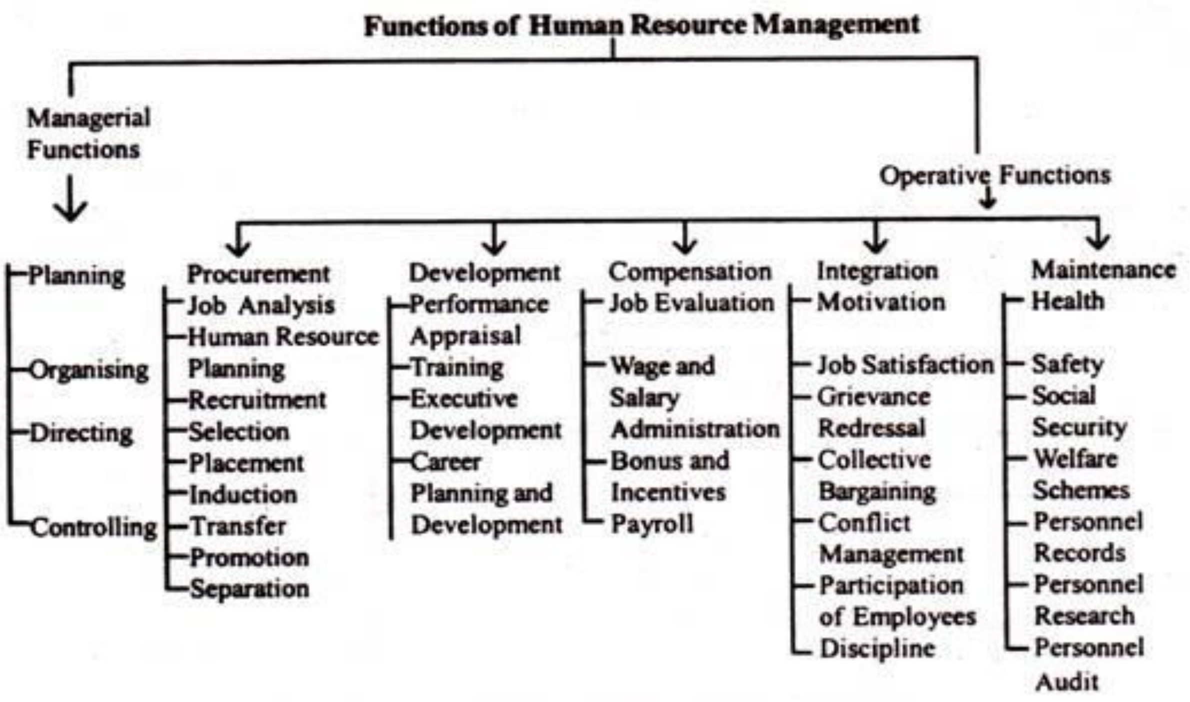

Figure 2.14 Functions of Human Resource Management

(Source http//www.yourarticlelibrary.com/hrm/human-resource-management-meaning-objectives-scope-and-functions/35229)

Social Marketing can be seen as an approach which is used to develop activities aimed at changing or maintaining people's behavior for the benefit of individual as well as the society. Social marketing uses commercial marketing principles and techniques to improve the welfare of people including the physical, social and economic environment in which they reside. It is actually a very planned and long-term approach to change human behavior. The strategy must be developed in a proper and specific way so that it is effective and helpful in the company's profitability. HRM focuses on the function of people within the business, ensuring best work practices are in place at all times. It aims to ensure smooth running of the business and smooth functioning of the staff within the organization.

To Do Activity

Identify up to 3 social entrepreneurial firms. Analyses their marketing strategies. Compare and contrast the pros and cons of each strategy. Write this into a half-page report.

2.4 Performance Management

Performance management has gained a significant relevance in the present scenario. Since the social enterprises are primarily aimed at striving towards a social cause, the performance management becomes more crucial. From the perspective of a social entrepreneur, measuring the performance of a social enterprise is important because it helps in decision making and ensuring accountability towards various stakeholders. Due to a varied magnitude of impact of the social entrepreneurship, there are different ways that have emerged to measure this impact. This unit will focus on these methods that allow a social entrepreneur to measure the performance of the social enterprise.

Defining Performance Criteria

The performance criteria are classified under four heads

- Depth of Impact. This criterion defines the effectiveness of the organization at addressing the fundamental causes of the social problem.
- Blended Value. This deals with the effectiveness of the organization at creating economic wealth and social value.
- Efficiency. This criterion relates to the effectiveness of the organization at systematically striving to generate a higher output with a lower input.
- Adaptability. This highlights the need for effectively adapting to the dynamic nature of environmental conditions.

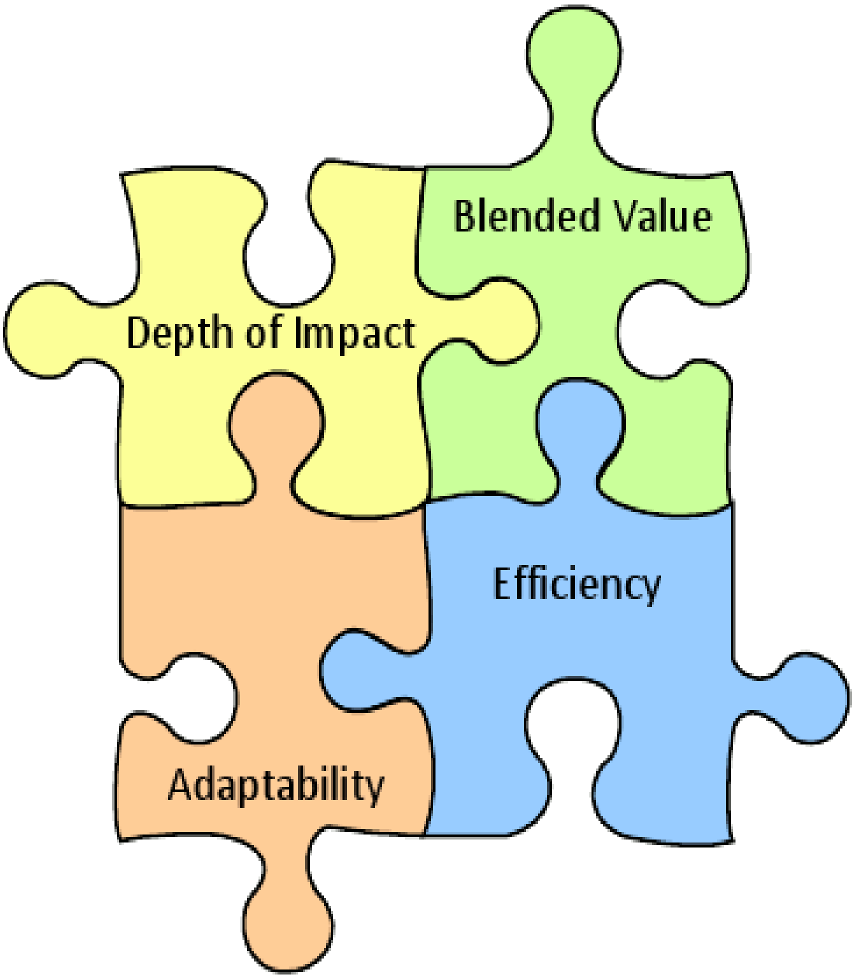

Figure 2.15 Determining the Performance Criteria

(Source http//www.4lenses.org/part2/performance_criteria)

Tools for Measuring Impact

The various tools that can be used to measure the impact of social enterprise are as follows.

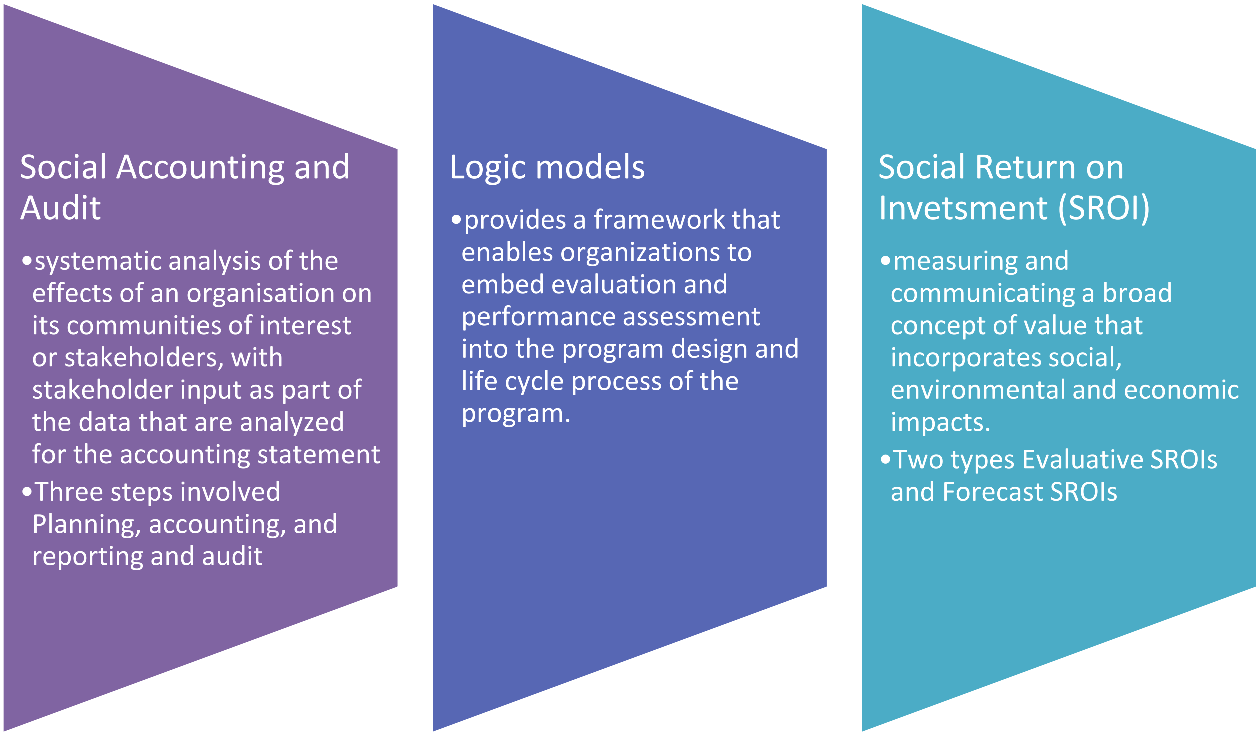

Figure 2.16 Tools for Measuring Impact of a Social Entrepreneurship

The following figure illustrates the linkages between the different performance criteria and the underlying synergies in the organization.

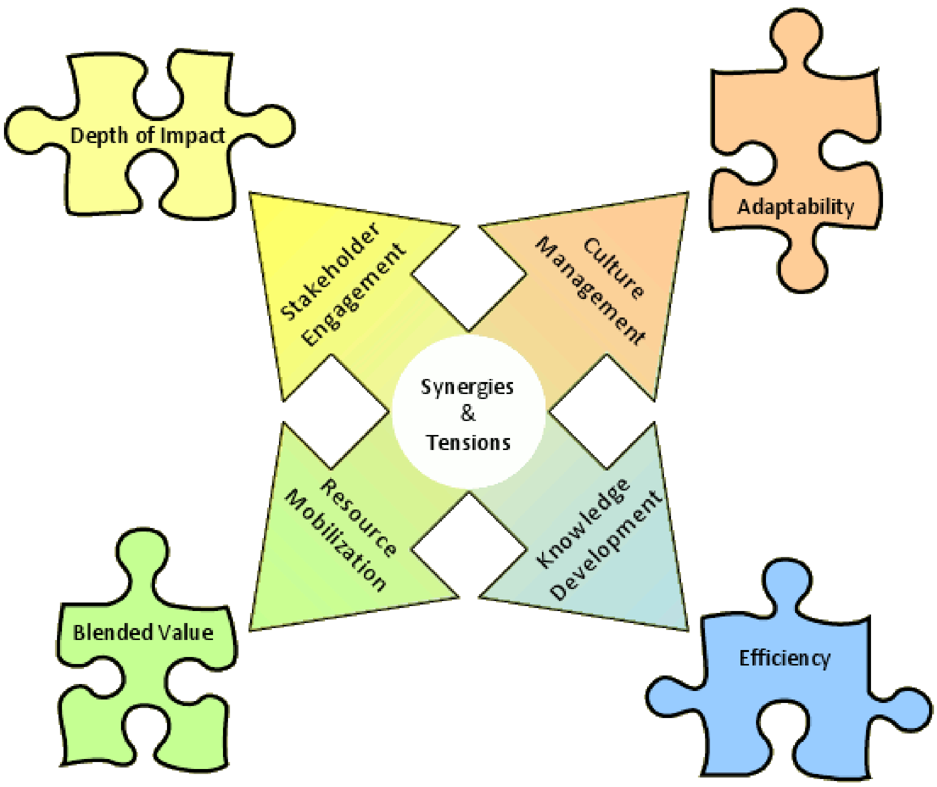

Figure 2.17 linkages betweenthe Different Performance criteria and the underlying Synergies

(Source http//www.4lenses.org/part2/performance_criteria)

Successful Initiatives -Aravind Eye Care

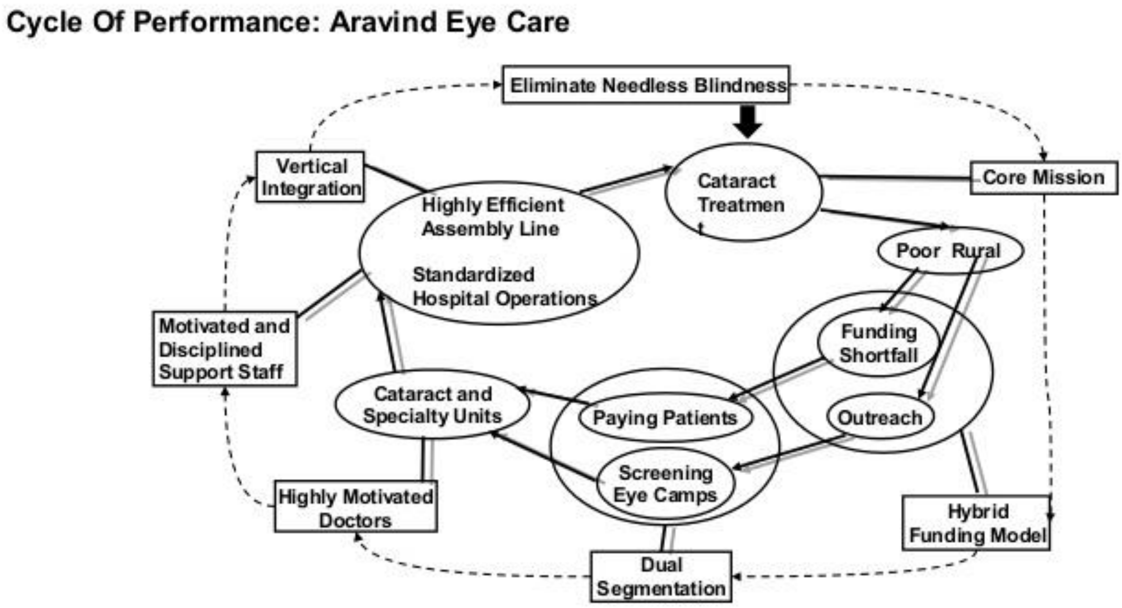

Figure 2.18 Successful Initiatives -Aravind Eye Care

(Source Rangan and Thulasiraj, 2007)

SEWA

Figure 2.19 Successful Initiatives - SEWA

(Source https//www.slideshare.net/yadavnavs/sewa-by-ppm-group)

GOONJ

Figure 2.20 Successful Initiatives - GOONJ

(Source https//ssir.org/articles/entry/circular_social_innovation_in_india)

From the perspective of a social entrepreneur, measuring the performance of a social enterprise is important because it helps in decision making and ensuring accountability towards various stakeholders. Due to a varied magnitude of impact of the social entrepreneurship, there are different ways that have emerged to measure this impact. The unit discusses the various tools for measuring this impact vis-à-vis social accounting and audit, logic models, social return on investment, followed by real business cases.

> **To Do Activity**
> Take any 3 social entrepreneurship ventures. Prepare a comparative statement for these 5 firms measuring their impact as a tool of performance measurement.

2.5 The Future Challenges Ahead

Social entrepreneurs are increasing in response to the devastating social and environmental challenges that are being faced by the society. Though social entrepreneurs have a dominant influence on our society today, they are slowly redefining everything about an enterprise. But the fundamental question is, "are social entrepreneurs the future of enterprise?" This unit addresses this question and discusses the challenges for the social entrepreneurs and the path ahead for attaining the goals.

Challenges for Social Entrepreneurs

India is one of the world's most populous nations, and despite India's influence on the global economy and innovation sector, India's public and private sectors continue working on challenges to bringing the nation's almost 180 million residents currently under the poverty line to a healthy and safe way of life. The on-the-ground realities of running a social venture remain daunting. The key challenges that the social entrepreneurs are facing are described below.

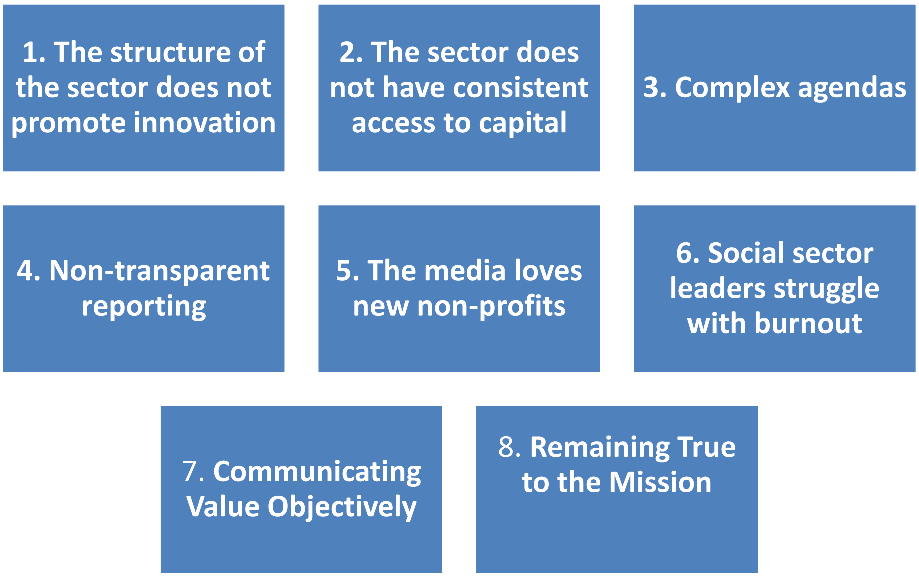

Figure 2.21. Challenges for Social Entrepreneurs

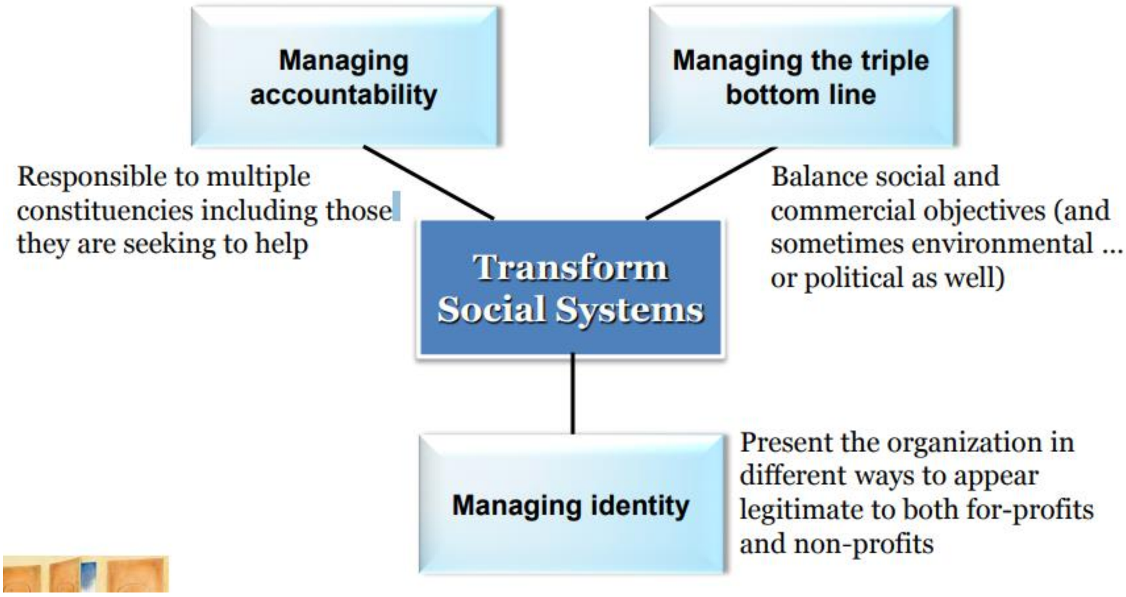

Figure 2.22. Social Challenges for Social Entrepreneurs

(Source https//www.albany.edu/faculty/miesing/teaching/socent/9%20The%20Future%20of%20Social%20Entrepreneurship.pdf)

Paths to Social Entrepreneurship

Social entrepreneurs, often referred as the, "Agents of Change" are committed to formulate innovative solutions for the most pressing problems in the world. These problems can be broadly classified into the areas related to education, health-care, environment and livelihood opportunities. Ashoka, 2012 explains the five predictions for the future of social entrepreneurship. These predictions primarily focus on.

Figure 2.23 Five Predictions for Future Social Entrepreneurship
(Source Ashoka, 2012)

With its diverse and complex socio-cultural environment, high economic inequality between urban and rural areas, and low human development index, India definitely demands skillful navigation of its unique challenges. But in challenges lie opportunities focused government policies, quickly rising investor interest, and a raw entrepreneurial energy waiting to be unleashed has positioned India to take these challenges head-on.

To Do Activity
Search on the internet or in other sources and identify one successful social entrepreneur. Write down a one-page report that captures the success story and also discuss what you would have done differently if you were in his or her place.

Model Questions

1. What do you mean by business model? What role does it play in a social venture?
2. Discuss in detail the social impact theory.
3. What is financial management? How is the financial management different for a business enterprise and a social enterprise?
4. Throw light on the social marketing strategies with reference to the Indian context.
5. Explain in detail the various tools that can be employed for measuring impact of social entrepreneurship.
6. Critically evaluate the current scenario for social entrepreneurs.

Suggested Readings

1. 10 social entrepreneurs in India who are changing the country for the better (can be retrieved from https//in.thehackerstreet.com/social-entrepreneurs-2/).

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Chapter 3 Civil Society and NGO – A Glimpse

Introduction

Non-governmental organizations are essentially nonprofit organizations in which people with similar interests come together to work at the ground level. They are generally driven by humanitarian motives and aim to bring change in society. They monitor policies and provide advice using their expertise in the domain. They often pressurize government for better performance and serve as warning mechanism in many cases (ngo.org, n.d.)

Objectives

- To gain a basic idea about the purpose and significance of not-for-profit NGOs in the current world.
- To gain a basic idea about the major types of CSOs functioning in society today.
- To internalize how to go about the process of setting up an NGO, given the prevailing norms in society.
- To discuss and familiarize with the processes involved in planning to set up operations white initiating an NGO.
- To acquaint with the processes involved in conception of governance protocols and office administration in an NGO.

Due to the following reasons they are believed be the only carrier for fruition of MDGs

- Dedicated funding and transparent utilization
- Minimal red-tapism as compared to State bodies
- Comprised of people driven by common interest
- Focus on specific areas of action
- Ease of collaboration
- Emphasis on advocacy
- Less prone to corruption

Advantages of Civil Societies

3.1 Introduction to Civil Society

Civil society organizations have been increasingly incorporating tasks formerly carried out by state administrative bodies. Cross border campaigns for different violations like labor, human rights and environment have increased along with formulation of development policies.(The University of Melbourne, 2019). The purpose of these revolutions has not been clear as to if they lead to decentralized and active government or show the advent of capitalism in the public domain. (The University of Melbourne, 2019).

Global Responsibility Paired with Advocacy

In a globalized ecosystem, where "economies, political systems, information technologies and development opportunities interact, and where threats, conflicts and world proportions challenge, Global Responsibility Global Solidarity promotes civic humanism as a world alternative, based on the dignity of the human person and their responsible and free projection into the communities where political, economic and social life takes place." (Global Responsibility, 2012).

"Advocacy works primarily to change the behavior of public leaders or decision-makers. Communication generally targets individuals and small groups. Social mobilization aims to secure community-based support." (NCBI, 2008) Digital Governance as well as lay public models that utilize e-advocacy and mobilization mainly through social media and other mass media has been on the rise for the past decade. These have been proving to be much effective in reaching a large population within a short time and thereby creating a significantly stronger impact.

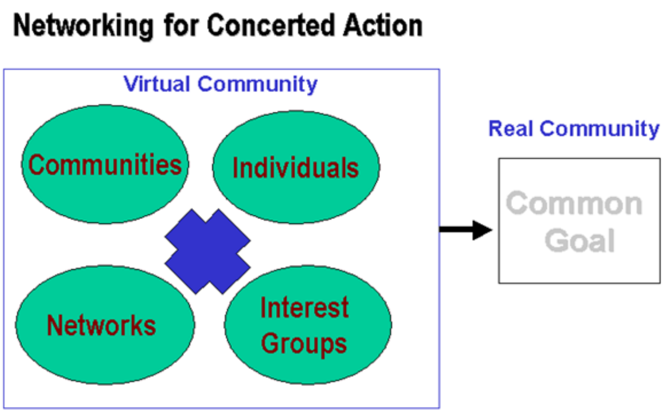

Figure 3.2 - E-Advocacy Model

Source The Digital Governance Initiative – E-Advocacy Model

Two milestones in the timeline of NGOs can be said to be the declarations of Millennium Development Goals (2000), and Sustainable Development Goals (2015) by the United Nations Organization. This eventually gave rise to the "NGO revolution" as some scholars call it, which essentially was a boom in the number as well as impact of not-for-profit NGOs operating across the world. The very fact that these private entities are not constrained by the immense administrative intricacies and formalities associated with State bodies by itself serves to prove the potential of such organizations in helping to build a better working world.

Millennium Development Goals (MDGs)

The United Nations Millennium Development Goals were eight goals that all 191 UN member states had agreed to try to achieve by the year 2015. The Millennium declaration signed by the United Nations in 2000 commits that leaders from across the world will come together to fight the evils of

illiteracy, diseases, poverty, hunger, environmental damage and bias against women. Eight MDGs stated below are a result of the millennium declaration.

Figure 3.3 - Millennium Development Goals

Source Outline of the Millennium Development Goals notable challenges

The MDGs are affected by each other and are dependent on each other. All the MDGs make an impact on health and similarly health also makes an impact on all of them. For example, better health enables faster learning in children and increased productivity and earning capacities of adults. Gender equality is important for achievement of good health among females. Good health helps in reducing poverty and overcome the problem of hunger. Reduction in environmental degradation also leads to better health. (World Health Organization, 2019).

Here is a video on the accomplishments of MDGs<https//www.youtube.com/watch?v=A5giOGjj5X8>.

Sustainable Development Goals

The Sustainable Development Goals are a collection of 17 global goals set by the United Nations General Assembly in 2015. (United Nations Organization, 2015).

Actions must be taken to end poverty and establish peace and prosperity. The call for the action is the sustainable development goal (SDG) or global goal.

Figure 3.4 - Sustainable Development Goals

Source SUSTAINABLE DEVELOPMENT GOALS | UNDP

"These Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another." (UNDP, 2019).

Here is a video commenting on India and the UNs SDGs.

<https//www.youtube.com/watch?v=Bh6SrEQSPOI>.

In this Unit we looked at the concept of the NGOs and considered the role of NGOs in development. From the development perspective, we also looked at the Millennium Development Goals and the Sustainable Development Goals from the United Nations.

To Do Activity

What are civil societies? Based on your study of the course explain the various types of civil societies and their working in the present context. Study the working of UNICEF and the role of civil societies with respect to it.

3.2 Types of Civil Society Organizations

"Civil society organizations (CSOs) can provide both immediate relief and longer-term transformative change – by defending collective interests and increasing accountability; providing solidarity mechanisms and promoting participation; influencing decision making; directly engaging in service delivery; and challenging prejudice. In this way, excluded groups can be effective drivers of their own change by forming or participating in organizations that represent group interests. CSOs also play an important role in conducting research to raise the profile of excluded groups." (Khan, Combaz, & McAslan Fraser, 2019).

Social Movement

Social movements are essentially meant to hold up the citizens' active roles and to make the state to account for its obligations to the society. When voluntary parties of citizens organise themselves in the best interest of some public cause, it is a social movement; and when they take form of an organization for the same, it is a social movement NGO.

Grassroots Association

A grassroots civil society association refers to a group of self-organized individuals coming together to pursue interest common to them in volunteer-based model. The organization is a non –profit one. (Civil Society Dialogue, 2017).

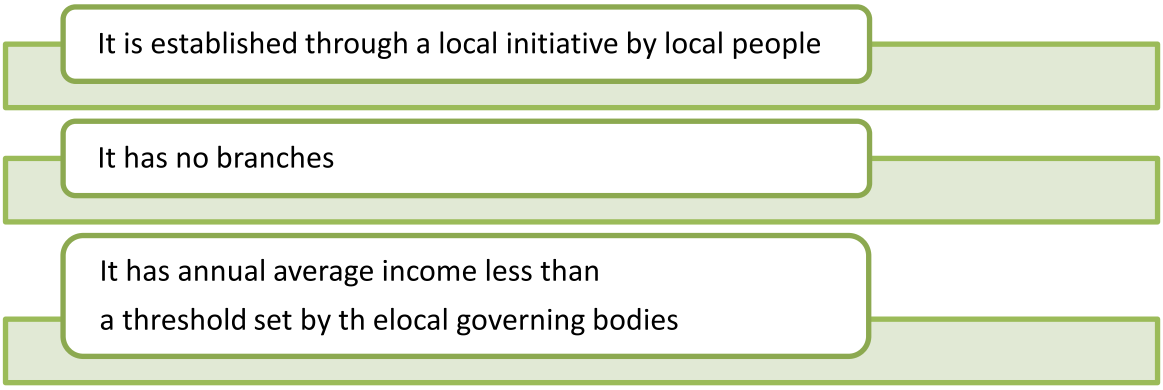

Fig 3.5 Grassroots Civil Society

Social Enterprise

The social enterprise work on the ideology of operating a business that contributes positively towards social or environmental causes and believes in investing the profits into causes which helps in promoting the original ideology. (UK Civil Society Almanac, 2014) It applies commercial strategies in order to maximize financial, social and environmental benefit, thereby maximizing social impact along with business returns for external shareholders.

Development NGO

An aid intermediary, which is both non-profit and non-governmental in nature, which provides proper flow of funds from the donor to the recipients in the developing or underdeveloped countries. (Aldashev & Navarra, 2015).

In this Unit we have seen the various types of civil society organizations. From the definitions, we find that each of these forms of organizations serves a different purpose.

To Do Activity

You are working with a company who wishes to set up an NGO for ensuring education for girls. What are the essential points of consideration that should be taken care of? If you are to lead the project draft a proposal including all relevant details.

3.3 Setting up the Organization

This Section will discuss the process followed for setting up an organization. This will also highlight the importance of different authorities and their respective roles in facilitating the setting up an organization.

Constituting Board of Governors

The board in an NGO may be called by different names like 'Board of Directors; 'Advisory Group', 'Steering Committee' etc.

Functions

- The primary function is to come up with strategies and plans that is in line with the original purpose and vision of the NGO.
- Set up plans and guidelines for various activities like operations, management etc. along with budget allocation.
- It also helps in appointment of members and setting up criteria of membership for review panels and also for support groups.
- It also works extensively on monitoring and evaluation of performance by defining a framework for the same so that they can be carried out independently.
- It takes the views and ideas of NGO to a bigger stage by actively giving chance to represent in larger scale outside the NGO.
- It also helps in active mobilization of the resources and coordination with agencies outside the NGO ecosystem.

The board members are generally well-respected people in the society and can influence the key decision makers to listen to the voices of the affected people. Moreover, they are the first contact for anyone outside the NGOs. Many a times they could be the first checkpoint for hearing the voices of the affected people.

Selection and Terms of Engagement

The following criteria are generally kept in mind while selecting the board members

- It is very important that the board members can add value to NGOs present set up in understanding and solving issues related to NGO.
- They should have previous experience as board members in similar kind of workspace.
- They should very well understand the domain in which the NGO operates and have a clarity on the opportunities and experience it represents.
- Apart from having an experience in the similar role, as already mentioned, they should have ground level experience of community work.

- Communication and networking are two other criteria that should be looked upon during the selection of an individual.
- They should be gender neutral and have good communication and networking skills
- A good team player with good political skills along good contacts with consulting and support groups is always welcome into the system.
- They should be able to promote the vision of the NGO outside the NGO effectively.

Composition of Board

12-15 members including a treasurer, a president and various different task or job specific positions required in the area where NGO operates. Rotation of positions take place along with renewal of term in lieu of good performance.

Length of Terms

It varies from one organization to other. It is usually between a time periods of one to three years

Cessation of Appointment

There could be various reasons for cessation of appointment. Some of them are listed below

- Resignation by the board member is one of the most common reason
- He/she is not able to devote the time committed at the beginning of the tenure
- He/she is not able to undertake the responsibilities agreed upon
- He/she now has no active relation with the organization that helped in nomination or selection of the member at first place
- He/she is not a team player and is not able to work with one or many other members of the board
- He/she has developed a conflict of interest

Mandate and Working Methods

The board members have a very high attendance and generally do not miss any meetings. They can use various digital communication tools for connecting with the other stakeholders in case are they are not able to attend meetings due to their hectic schedule or travels. Board members motivate that representativesfromdifferent communities come together to shape the overall policies and direction of the NGO by discussing about implantation, monitoring and evaluation of different programs and policies of the NGO.

They make sure that the resources are allocated appropriately and more attention is paid to the issues which are important to the NGO and the community. They also take inputs from local communities and share it with broader and global communities across the globe.

Setting up By-Laws

These are internal documents which signify rules and regulations that govern the conduct of affairs in an organization. These documents should be clear and precise so that it is well understood by the members of the organization and other stakeholders involved. It is very often used for the registration process with different local and national authorities.

The bye-laws consists of the following

- Name and objectives

- Frequency of the meetings
- Voting rights
- Criteria of membership
- Book of accounts maintenance
- Rules and regulations keeping in mind the different amendments

Framing General Approach to Issues to be Addressed

The MIT guide to NGOs provides the following approach to problem solving (Source http//web.mit.edu/is/NGOManagement.pdf)

"When an NGO approaches solving a problem, they can pursue the following structure

Gather information on the issue

- What is causing the problem?
- Who are the persons/organizations/department/ entity responsible?
- What are the consequences going to be? Assess magnitude, quality and prevalence.
- What are the alternatives/possible solutions?
- How much would they cost? Is it better to invest the money in other projects?
- Talk to people in the community for a holistic perspective.
- Talk to people who are in-charge and hear their side of the issue.
- You may be able to work towards solving problems together (co-operation, co-ordination).
- Request older, influential or respected people in the community to address public gatherings.
- Use the mass media to generate interest, communicate the facts and discuss options.
- Write polite, succinct articles for magazines and newspapers identifying the issues.
- Include people from diverse backgrounds, so that your organization is not portrayed to be linked with any particular political party or religious sect, etc.
- For fundraising purposes, let people know why funds are needed and how they will be used. Transparent and detailed accounts are imperative to build trust.
- Link up with other NGOs to maximize the effect of the effort." (Mostashari, June 2005).

In this section, we have understood how NGOs are established, how they are governed, and how they function. We also looked into the contents of the by-laws.

To Do Activity

Take any two NGO's of your choice. Study their strategies and working. Analyse and compare their strategies and justify the analysis with examples and points.

3.5 Strategizing Operations

This section will introduce you to the process of formulating strategies for an organization. It describes the key procedures as well as strategical insights for developing plans for the organization.

Operations Planning

A strategically crafted plan of operations is a vital tool to channel the work of any organization in an efficient manner. It helps maintain a focused and long-term emphasis on the organization's mission and vision, that would in turn supplement the decision-making process regarding allocation of resources. Let's take a look at how to get started with developing a strategic plan, on the basis of a shared vision of the future.

- Prepare to plan
- Clarify mandate and scope of work
- Analyse the external environment
- Analyse the internal environment
- Identify the strategic issues
- Define the strategic aims
- Define strategies to address each strategic aim
- Identify the resources required to achieve the strategic aims
- Draw up an internal capacity building plan
- Cost the plan

Fig 3.6 Operations Planning
Source (Progressio, 2016)

Organizational Vision

The organizational vision serves as a tool in motivating individuals to achieve organizational goals and hence a lot of care must be taken while defining it. The vision is specific to a particular organization and should be re-examined from time to time during strategic planning process. The results of the re-examination will serve as a feeder material for strategic planning.

Strategic Planning

Strategic planning is a set of systematic procedures to assist in making key decisions and concurring on actionable particulars that would in turn mould an organization in terms of its mission (how), and vision (why). The pros of formulating a strategic plan together as a team are many, such as Picturize and project clearly about the purpose and direction of the organization's work; craft it out into a document against which members of the organization can monitor progress, learn and improvise to maximize impact. Bolster team spirit by kindling a sense of belongingness in forging a clear mission ahead, together as a team. Formulate action plans in collaboration with partners, beneficiaries and other associated entities. Carefully plan resource utilization so as to ensure maximum exploitation of available resources.

Structure of a Strategic Plan

- Executive summary
- Vision statement
- Mandate and scope of work
- Summary analysis of external and internal environment
- Main strategic issues
- Strategic aims with accompanying strategies
- Human resource needs assessment
- Budget projection

Fig 3.7 Strategic Plan

Capacity-Building

Capacity building is a series of processes that enables an organization to boost its effectiveness and thereby impact in the society. This is meant help it achieve its objectives in a sustainable manner.

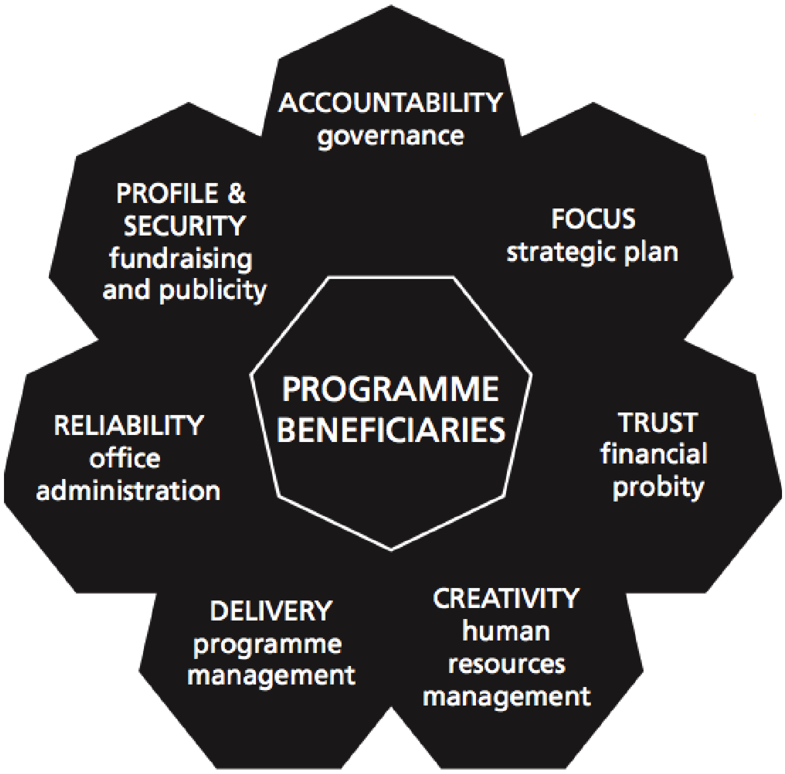

Fig 3.8 Capacity Building

Source (Progressio, 2016)

Development Definition and Approach

While NGOs differ from each other in multiple ways, their definition of 'development' often takes the top position when it comes to the most pertinent factors of difference. This more or less unique perspective they hold would reflect in all arenas of their operation, including stakeholders such as beneficiaries, partner entities, and funding agencies. (Progressio, 2016).

Environmental Dynamics

Source (Mustaghis-ur-Rahman, 2007).

Political Environment

The political environment in which an organization operates influences it in various ways. For instance, if the political or other ideology followed by the incumbent governing body isn't aligned well with that of the organization, this could mean trouble with operations in that particular state. The scope of their work could be limited to a minute portion, or even denied the regulatory framework clearance to operate altogether. Hence, it is imperative that an NGO be conscious of the politico-legal environment of the target country while formulating their proposal documents as well as the mission-vision statements.

Socio-Cultural Environment

The values, norms, lifestyle, historical perspectives, traditions, social ideologies, beliefs, etc. of a society are reflected in their socio-cultural environment. It's imperative that an NGO should constantly be in contact with and sensitive to this environment and respect the socio-cultural sentiments and other more tangible elements of their society in order to gain acceptance to work in the social community.

Economic Environment

The economic environment of a society directly influences the operations of an NGO. This is particularly visible in closed economies such as the Russian Federation and the People's Republic of China where the social ideology mandates that the provision of basic necessities as well as social progress to be the sole responsibility of the State. In such (politico-)economic environments, the rooting of a social cause NGO will be next to impossible as it doesn't suit the society's established social ideologies. It would be helpful to the NGO to frame its vision and mission in alliance with the larger economic environment prevailing in the country, to which the target community(ies) subscribe.

Technological Environment

The technological environment prevalent in a society targeted by an NGO should be a prominent concern while framing its vision, mission, and strategies. It has to be in congruence with the level of technology common and familiar to the target community(ies), failing which there are high chances the people might reject the advances of the NGO. Although this has a high chance of occurrence, the inverse could also happen, depending on the specific historical social perspectives and social ideologies held by the people.

Collaboration with Other NGOs

An NGO always have to remain in dynamic touch with the environment as well as all the players in it. Collaborations with other NGOs along with other entities bolsters its reach and enables it to focus on its area of expertise.

Stakeholders

NGOs are generally heavily dependent on its stakeholders owing to the simple fact that their entire work is for, with, and most times by the stake holders themselves. This brings in the question who these stakeholders are. They are the beneficiaries and benefactors of the NGO, regulatory and administrative bodies, and the members of the NGO (thereby the NGO itself).

The beneficiaries of an NGO are also its active contributing partners, wherein they play a crucial role in how the NGO's work is shaped. It is standard practice among most NGOs to have representation of beneficiaries from their projects on the board as honorary members, thereby including them in the decision-making process. This aspect of positive ownership with the NGO could result in these community representatives inducing a constructive influence over the project activities. This in turn could result in two obvious benefits.

since the community representatives who are part of the board belong to the grassroot operations level, a feedback system would be initiated from the project base to the NGO executive level – this would prove to be extremely handy, probably even pivotal to the operational success of the NGO
due to community-participation in governance, transparency at all levels of operations in the organization can be ensured.

Success in terms of an NGO would mean that the funds allocated for a project they undertake has been efficiently utilized to serve the purpose mutually defined between the donor and itself. Donors are concerned with financial transparency for obvious reasons, and expect the recipient NGO to maintain a good working relationship with them and also follow principles of fairness mutually agreed upon in the associative tie-up.

The work of an NGO is that of a supplementary nature to that of the State. Since social-economic development is in principle the portfolio of the State administration, it has the authority to audit the work being carried out by an NGO. That being said, the NGOs are generally a store house of rare grassroot level information that is valuable to the State in its day to day functioning. Hence, it is expected from NGOs to provide the State and its bodies with informed advice and information as and when required.

Sustainability is probably the single most significant trait of an NGO that enables it to attain its goals and remain operational.(Mustaghis-ur-Rahman, 2007).

In this section, we looked at how capacity building milestones could be achieved while setting up an NGO.

To Do Activity

Governing and administration of NGO is a very typical and difficult task. Explain why the governance of NGO's become so difficult even though so much support and grant is available. What can be done to channelize the efforts in positive direction.

3.5 Organizational Governance and Administration

"It is only through a system of strong organizational governance that beneficiaries can be assured that an organization established on their behalf is indeed serving their best interests."
Source (Progressio, 2016).

Leadership

The quality of the leadership is required at all levels of positions. The roles and responsibilities of the different level of members and trustees is included in the governing document. Moreover, the job descriptions of all the roles will include the leadership qualities expected in the role.

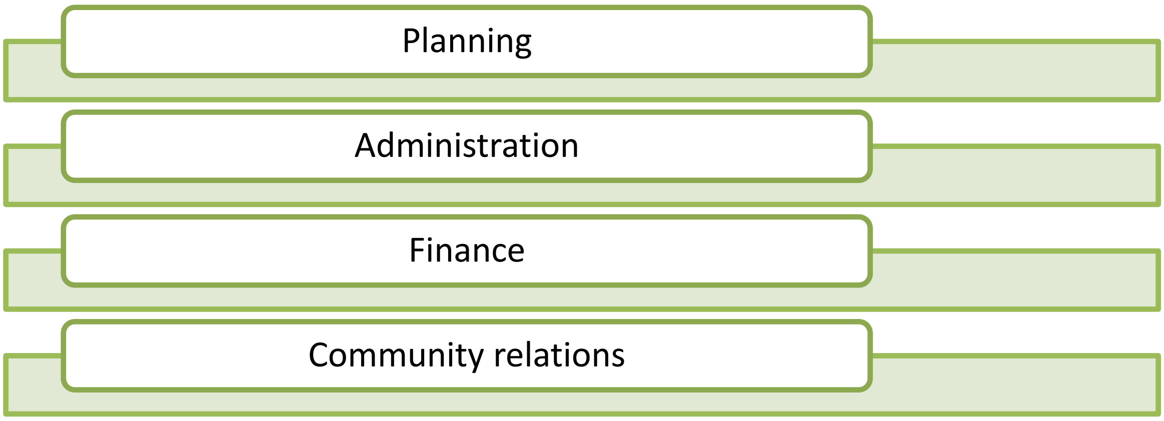

Fig 3.9 Roles of Governing Body

The governing body will include the executive directors, trustees and some non-voting members representing interests of different stakeholders. The executive director doesn't enjoy the pleasure of a voting right since he or she is not a trustee. He is also accountable to the governing body since he is appointed by the governing body itself.

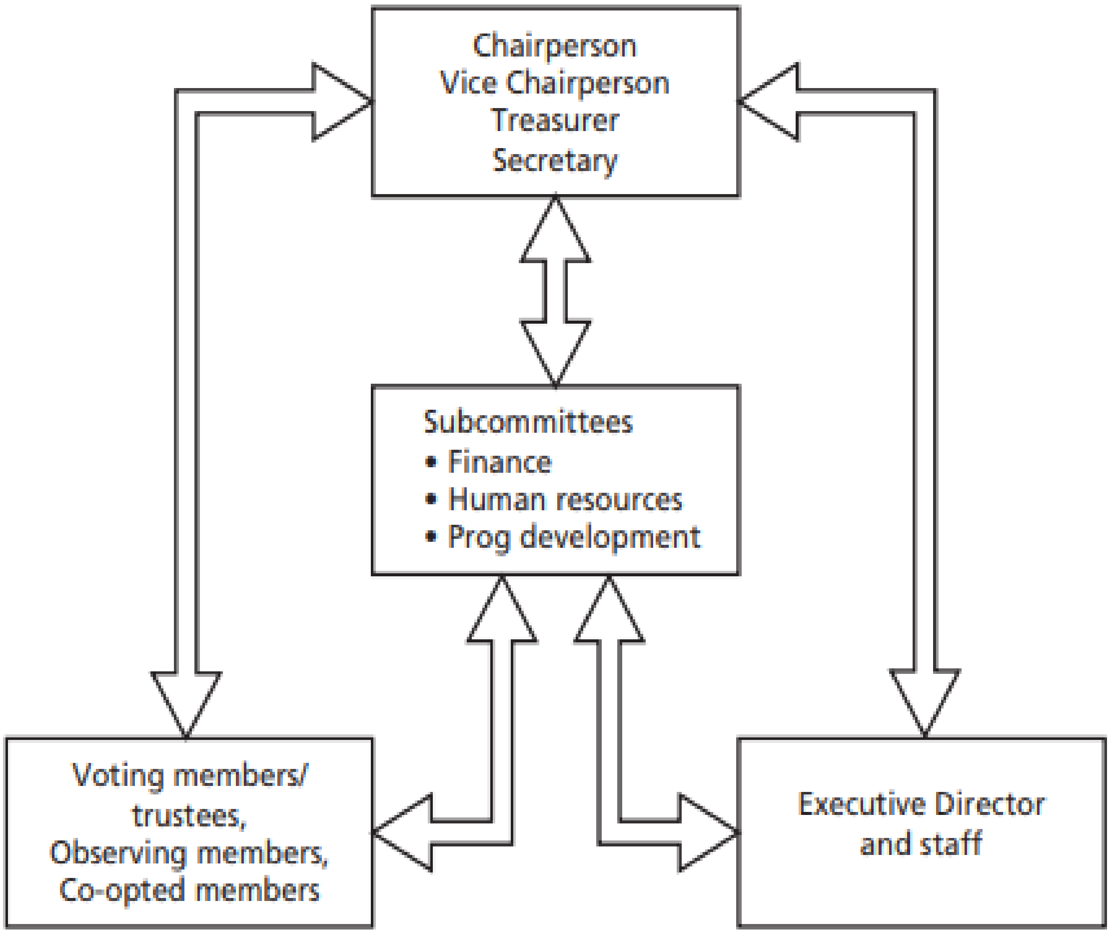

Fig 3.10 Organizational Structure

Source (Progressio, 2016)

Governing Document

A governing document basically outlines the basic purpose of the organization. It can be in the form of a Memorandum of Association, a formal or legal document, a trust deed or a document carrying legal bindings for the organization.

Ideally a governing document must be developed at the time of starting u the organization as it will mention all the principles and rules on which the organization will run.

Developing Governing Document

1. Identify the main headings
2. Form an outline of the document, consider stakeholders to consult about its provisions
3. Consult stakeholders to draw points to draft the document
4. Draft document - take legal adviser's help
5. Circulate draft document, take suggestions from stakeholders
6. Incorporate reasonable suggestions, esure local compliance
7. Approval by governing body
8. Distribute final document to all trustees

Fig 3.11 Developing Governing Document

Organizational Policy Development

The governing body is responsible for the monitoring the development and implementation of the organizational policies and rules. It provides guidelines via meetings that are held or through committees and sub committees. It can be a time-consuming process if not taken care of properly. Documentation should be kept minimum so as to save time and avoid complexity.

Office Administration

Organizational Structure Chart

An organizational structure chart is a diagram that represents an organization, identifying its employees and departments and their relationships to each other.

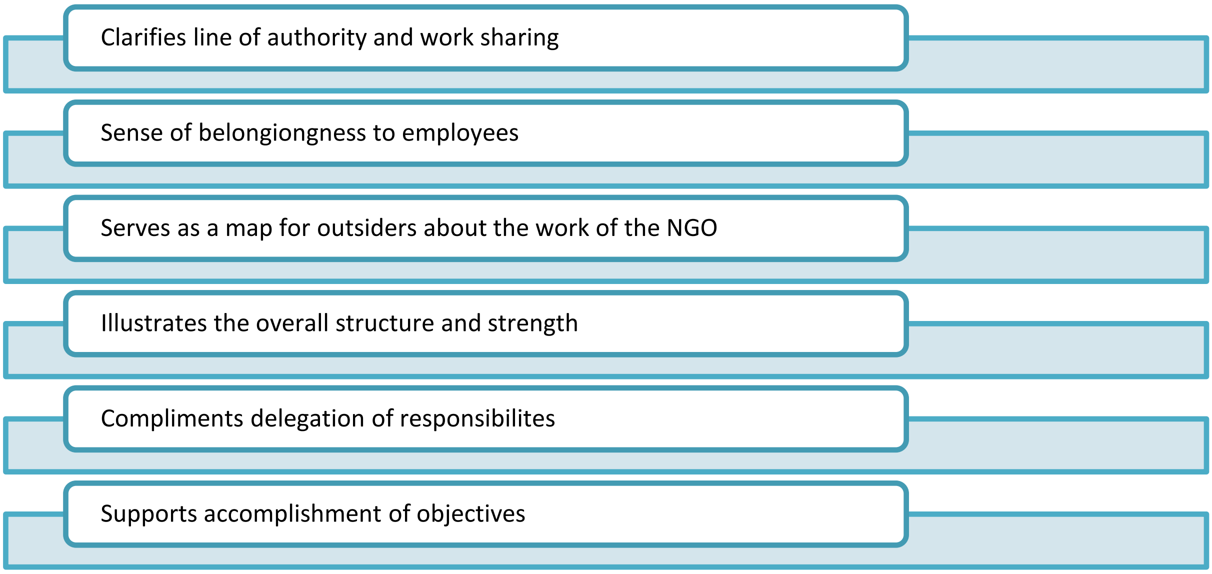

Fig 3.12 Pros of organizational Structure Chart

Communications

People outside the organization communicate with the office in three main ways

- Visit
- Telephone
- Letter or email
- Text message/ social media messaging

The basic principle of working of a NGO focuses on the fact that it must it must be easily accessible for the clients. People should be able to reach the organization and seek assistance and gather information.

A proper appointment system for the meetings should be established in order to ensure smooth functioning of regular work of the organization. A proper communication system should be established within the organization.

Record Keeping

The primary step towards developing an efficient administrative system is to formulate an effective filing system for the organization. It facilitates smooth functioning of the organization when all the documents are systematically arranged and are kept in one common place. Moreover, it also helps in reporting the information to the concerned stakeholders in case of exigency by providing a quick access to the information. Since much of the information pertaining to the human resource management is confidential in nature, it is usually a good practice to have a confidential file for each member of staff which that person can have access to with the authorization of his or her manager, which may be Executive Director for most staff or any other person in authority. These files should be kept separately in a locked filing cabinet and rules concerning access to them must be clear and transparent.

Administrative Audit

Similar to the financial audit, there is another important tool for keeping a check on the administrative activities, known as administrative audit. The key different between financial audit and administrative audit is that in the former case, the financial systems are audited, whereas in the latter case, the administrative systems are checked. The administrative audit takes care of the functioning of the entire administration activities and examines if they are in order. This can be done in two heads

Internal (done by someone from within an organization).

External (done by external agencies)

CHECKLIST: **INTERNAL AUDIT**

A. INTERNAL SYSTEMS
- The NGO has a governing body (Board of Trustees or Board of Directors).
- There is a written organisational structure chart.
- There is a system for reviewing and following up reports that have been made for the organisation, and it is being implemented.

B. FIXED ASSETS
- The NGO has a clear fixed assets policy.
- The fixed assets policy is implemented.
- All fixed assets are recorded correctly in the fixed assets register.
- The fixed assets are counted regularly and the count is recorded.

C. VEHICLE MANAGEMENT
- The NGO has a comprehensive vehicle usage policy.
- The vehicle policy has been implemented.
- The NGO maintains a vehicle logbook, which is filled in completely and correctly.
- Procedures for vehicle servicing, insuring, tax and MOT (checking roadworthiness) are in place and up to date.

D. INVENTORY
- A written inventory management policy exists.
- The inventory policy is implemented.

When inventory is used, it is:
- authorised by the correct person
- properly supported with a supply request form
- properly recorded in the inventory (non-expendable supplies) register or supply control card
- the inventory is counted regularly and the count is recorded.

E. PERSONNEL AND PAYROLL
- A clear personnel policy exists and is implemented.
- All staff members have detailed job descriptions.
- There are defined systems of evaluating and measuring staff performance and they are in use.
- All staff members have current, written, signed employment contracts.
- Documentation and authorisation of payroll exists (such as timesheets and contracts).

Fig 3.13 Internal Audit Checklist

Source (Progressio, 2016)

In this section, we glanced at how the administrative tasks such as record keeping, communication etc. intertwine with the overall governing of the organization. We also gained an idea of how significant the governing document is to an NGO.

Model Questions

1. What are the defining characteristics of an NGO?
2. How are the MDGs leading to development? What are the updates on the same?
3. How are the SDGs leading to sustainable development? What are the updates on the same?
4. What are the differences between an NGO and Social Enterprise?
5. What are the differences between an NGO and a Development NGO?
6. How should people be selected onto the board of an NGO?
7. What is usually covered by the by-laws of an NGO?
8. What functions does the vision statement serve in an NGO?
9. How does framing a strategic plan help in the successful capacity building of an NGO?

Suggested Readings

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Chapter 4 Managing Civil Society and NGO

Introduction

It can be inferred from the foregoing discussion that the human resources play a pivotal role in the functioning of an organization. Managing he human resources effectively and efficiently requires a great deal of planning and implementation. Thus, there is a need for formulating a policy that lays down the guidelines for managing people effectively. This policy essentially states the rules and regulations and the guidelines that are required to be followed in the normal course of business.

Objectives

- To internalize the significance as well as steps involved in managing the workforce in an NGO.
- To grasp the need for financial management and accounting carried out in the proper manner.
- To get accustomed with the methods of managing the financial resources, drawing from the methods of recording and consolidating of financial transactions in controlling and managing financial resources.
- To internalize the various phases of a project in its life cycle and the key points to remember for each of them.

4.1 Human Resource Management

Now, that we know that the human resource management policy plays a vital role, another important question that needs to be answered is how many policies should we ideally have to ensure smooth functioning of the organization? To answer this question, it must be kept in mind that the consistency has to be maintained in the structure of activities and hence, ideally there should be one policy that deals with the management of human resources in an organization. The nine elements of human resource management are illustrated in the diagram below.

Figure 4.1 Scope of Human Resource Management

Source (Progressio, 2016)

Equal Opportunities and Diversity

The first principle of human resource management deals with the equality in providing the opportunities. This reinforces that the human resource management policy should aim at providing equal opportunities to all the employees. By equal opportunities we mean that there should be equality in all the matters of an organization, whether they are related to employment or the working conditions. This implies that the work environment and the organizational culture should be a reflection of the discrimination free culture. This should not be confused with having diversity in an organization. The existence of diversity in workforce and the organizational culture does not necessarily mean that there is discrimination. To be effective, an organization must try to embrace these diversities and strive towards celebrating these differences by seeking a set of values and cultural ethos that do not have room for tolerating the discrimination and hence focus on active commitment towards promoting these diversities.

Selection and Recruitment

Staffing is one of the most important processes in any organization as the quality of the employees will determine the success of the organization. The experience, education and skills of the employees definitely work towards betterment of enterprise. So, every organization must follow a proper recruitment and selection procedure so as to ensure that there is right man at the right place. This would enhance efficiency in the operations of the organization.

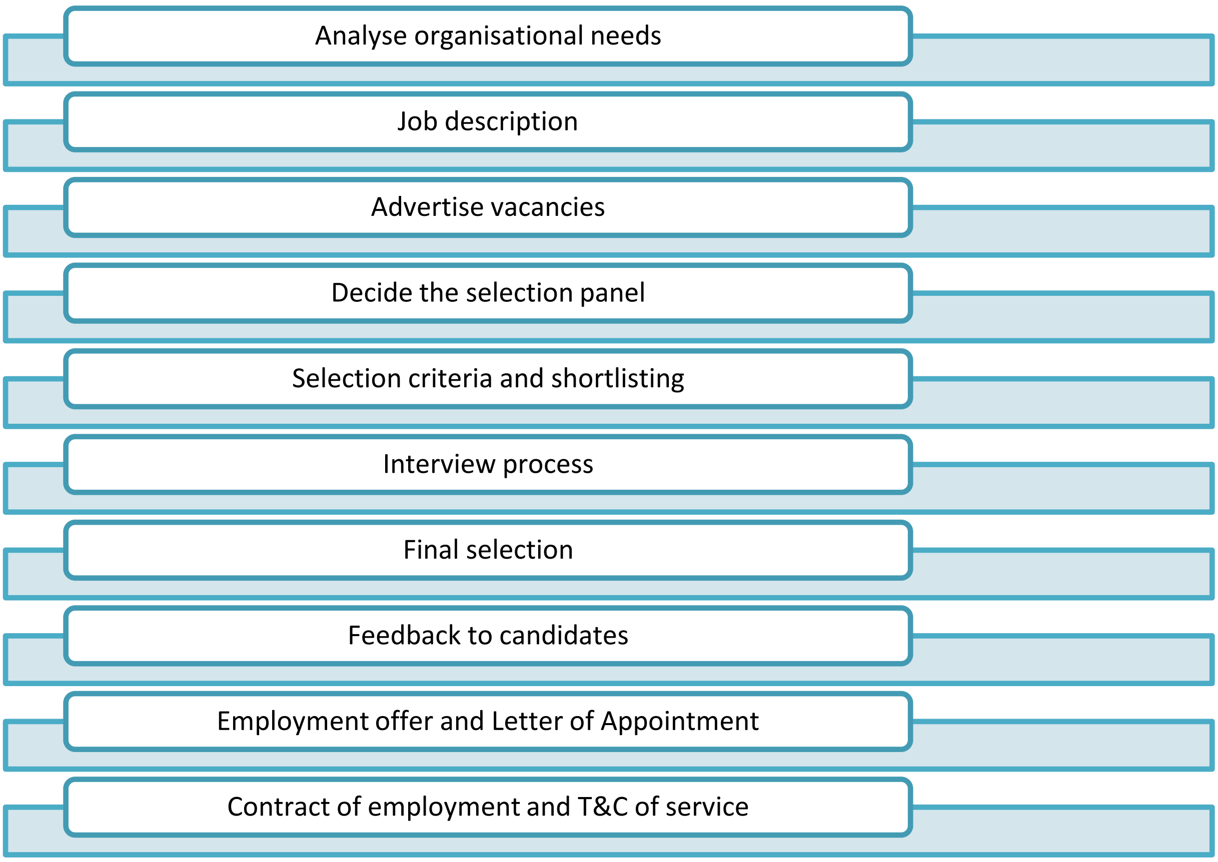

Figure 4.2 Recruitment and Selection Process

Terms and Conditions of Service

- Induction and probation
- Hours of work
- Salary structure and remuneration
- Subsistence and travel expenses
- Leave structure (annual, sick, compassionate, etc.)
- Maternity and paternity provisions
- Secondary employment
- Notice period and relievement

Figure 4.3 Terms and Conditions in Service

Performance Management

The success of an organization is based on the way the employees are managed. The employee management focuses on employee satisfaction which in turn leads to job satisfaction, further resulting in employee commitment and betterment of the organization. This laid emphasis on the role of performance management system in an organization. A performance management system incorporates the various elements of measuring performance and also defines the criteria for measuring the performance.

KEY PRINCIPLES

1. Assess the benefits for the organisation
- What are the main benefits of performance management for the organisation?
- What are the main benefits of performance management for the individuals the organisation employs?

2. Agree on key processes
- How will the organisation ensure that the performance management system adopted is fair, transparent and accountable?
- Who will be responsible for reviewing the performance of the Executive Director (for example, the Chair of the governing body)?
- Will the Executive Director delegate responsibility for reviewing the performance of more junior staff to others in the office? How will the line managers give feedback on junior staff performance to the Executive Director?

3. Agree on reviews
- When will annual performance reviews and interim reviews with staff take place?
- Will the agreed outcomes of all reviews be kept on the individual staff member's file or will the interim reviews simply be more informal than the annual review?

4. Discuss preparation
- How will staff prepare themselves for performance reviews?
- Does the organisation have the necessary skills to implement a performance review system or is training required?
- How might such training be acquired?

Figure 4.4 Principles of Performance Management

Source (Progressio, 2016)

Staff Development

It is the most effective factor that helps in employee retention. It also leads to employee satisfaction and increases their morale. Staff development actually increases an employee's knowledge, skill and potential. Staff development activities will ultimately lead to enhancing effectiveness and work efficiency of the employee and ensures that the staff performs better.

Staff development can be both in form of formal training and other informal programmers.

Grievance Mechanism

Many times, certain organizational issues cannot be solved through simple communication. It requires a formal procedure to solve the issue. Every organization must necessarily have a policy through which problems related to staff can be solved effectively. Grievance policy today forms a most important part of a corporate structure as it will the organization to solve the complex problems in a simpler form. It will also create a positive feeling among the employees.
The below factors have to be kept in mind while framing a grievance policy

- To whom do employees air a grievance
- When should an employee raise a concern? (e.g. Harassment and bullying at work)
- Policies on 'whistle blowing'?

Figure 4.5 Grievance Mechanism

Health and Safety at Work

Reasons to have a health and safety policy for the organization

- Ensure safe and healthy working conditions.
- Sharing health and safety related information with all.
- To express organizational effort regarding the health and safety issues.
- To work as per the rules and guidelines set.

(Progressio, 2016)

We learnt about the elements involved in planning for, recruiting, and managing the workforce of an NGO. We also glanced at various steps involved in selecting the right staff members.

To Do Activity

Take up any NGO and analyses its working, operation and management. Is it different from the working of a non- NGO? If yes, what are the key points upon which working of NGO and non-NGO be differentiated.

4.2 Financial Management

Funds or grants are the lifeblood of organizations. In the case of not for profit organizations, these funds are usually received as donations or grants. While managing money is important in any context, managing and applying the money of others as per the agreement has an element of trusteeship also, and has to be done with utmost care and seriousness. The principles and reasons for fund management, accounting and tracking remain common across all types of organizations, though the techniques used can vary a little from one type of organization to another.

Fund Management

Fund refers to monetary resources available for achieving certain objectives. Any project that is undertaken is dependent on resources in kind or cash to achieve its' objectives. A few typical sources of funds may be.

- Internal sources – e.gsale of products sourced from beneficiaries
- General donations – fund received without any particular purpose attached to it
- Specific grants – amounts received for a particular project or objective from a donor who specifies how the amounts can be utilized

Figure 4.6- Sources of Funds

Management of funds refers to applying the monetary resources in an efficient and effective manner in order to achieve the objectives of the project. Note that we have used the terms efficient and effective. Efficient refers to using the optimal or correct amount of funds for each activity (for example, purchasing items of the quality needed – neither lesser nor higher). Effective refers to ensuring the successful completion of each activity while expending only the required and budgeted amount (ensuring that no money is wasted without results).

While the accountant, finance manager, cashier or other finance related personnel have special responsibilities when it comes to fund management, it is extremely important to note that every member of the team shares some fundamental responsibilities when it comes to money –
Spend the funds as cautiously/ more cautiously than you would spend your own money since it has been given to your project with trust.

Ensure it is spent for the purpose specified and not for anything else. In case expenditures have to be undertaken for unapproved purposes, please ensure that approvals are taken in advance.

Ensure that the activity or item for which money was spent contributes to the specified goal. This also connects with the earlier point about specified purposes. Overall, all spending should contribute towards the achievement of the project objectives.

- Ensure that there are no losses and leakages. All amounts spent by every individual must to reported correctly and in a timely manner.
- Ensure that all guidelines for spending of funds are followed and common sense is always applied.
- Ensure that bills and other documents are properly procured and maintained for all expenses.

As can now be appreciated, all the points mentioned above relate to every member of the project team since money is handled directly or indirectly by everyone.

Basic Principles

Spending based on approvals is an important control system. This serves many purposes. It ensures that the proposed expenditure is brought to the notice of the person authorized to expend. This results in the responsible authority being able to track the expenditure against the progress stage of the project and also against the budget. It also helps in discussing and ensuring due procedures are followed at the time of spending, which may otherwise be inadvertently omitted if proper approvals are not taken from the correct authority.

The implementation of the above point requires that financial responsibilities are clearly designed, delegated and communicated to all in writing. This ensures that all team members know who is responsible for what approvals, for custody of stock or assets, for cash management, for record keeping etc. Based on the same, certain persons in the project will be provided with authorization spending cash or signing cheques. Also, certain persons will have the authority to sign on behalf of the project. This should also be clearly communicated to all persons in the project, in writing. This ensures that only authorized persons represent the company in contracts and in official communications with the external world.

All incomes and expenditures must be recorded correctly and promptly. Given the nature of book keeping, delays in noting down details and creating vouchers may lead to confusions or even loss of appropriate supporting documents as time elapses. A simple example that most of us can relate to is the loss of supporting documents in travel claims as we delay the time to make the travel claims – invariably, some bill or receipt is misplaced or forgotten.

Vouchers are the most basic mechanism for recording and entering data into the accounting system. They can be simply thought of as template documents that ensure that all basic information about a transaction are captured systematically. The types of vouchers used are

Cash payment – for recording transactions that involves spending cash from project

Bank payment – for recording transactions that involves expenditures through bank (e.g. cheques, letter based transfers, online transfers, etc.) from project

Cash receipt – for recording transactions that involves receipt of cash by the project (e.g. grants)

Bank receipt – for recording transactions that involves receipt of amounts into the bank. (e.g. grants, donations)

Journal voucher – for recording all other transactions that do not involve cash or bank transactions (e.g. accounting adjustments)

Figure 4.7 Principles of Fund Management

The utility of the voucher comes from the fact that it is pre-printed (or pre-designed in the case of computer-generated vouchers) to ensure the noting down of key details. This helps in making sure that information that is pertinent to the transaction is neither omitted nor forgotten. The vouchers are also serially pre-numbered. This also is an important system to track that no vouchers are misplaced or forgotten. The details required in vouchers are –

- Project Name, voucher number (pre-printed)
- Date, Account (to be debited and/ or credited), Narration, Amount
- Supporting documents
- Authorizations and signatures
- Revenue stamp for payments > Rs.500

As can be seen from the above list, the details collected are comprehensive and the narration column allows for detailed remarks to be noted and maintained. Also, a key requirement of a voucher is the availability of supporting documents. These are basically billing, receipts, invoices or documents of similar nature that provide external (to the project) evidence of the nature and value of the transaction.

Books of Record

Vouchers form the records of primary entry. While individual vouchers provide detailed information about particular transactions, we need grouped and summarized information in order to get the larger picture. This is accomplished at the next level by entering the vouchers into the cash & bank book and into the ledger.

Cash & Bank Book

The cash & bank book is a single book that is used to consolidate all the transaction related to cash and bank transaction from the cash or bank balance perspective. This book, in the physical form, has two pages dedicated to each day with receipts being recorded on one page and the payments on the other. There are columns provided for voucher number, particulars, account being debited or credited (the other half of the double entry), and the amount. The amount will be noted under cash column or bank column(s) depending on whether it is cash or bank transaction. Also, important to note is that every day, the balance from the previous day is brought forward for the cash and the bank(s) columns and at the end of the day, after all the transactions are noted and recorded from the cash and bank vouchers, the closing balance is recorded. It is also common practice that the cashier cross verifies the physical cash balance and notes the denominations on the same page after closing the balance as a record and for reassurance that the physical cash balance tallies with the cash balance as per the books (which it should!).

Ledger

As can now be seen, the entries in the cash book take care of consolidating the impact on cash and bank balances on a daily basis. However, every transaction also affects other items. For example, when you spend cash in order to buy stationery, you are not only reducing your cash balance, you are also getting stationery. The fact that stationery has been procured needs to be recorded for multiple reasons – in order to compare the expenditure against budgets, in order to understand total expenditures on stationery, in order to know the status of stationery purchase etc. Thus, just as we consolidated all cash transactions through entries into cash book, we consolidate the corresponding aspects of the transactions into separate accounts in the ledger (example Stationery account, Rent account, Donations account etc.). Each account will have a debit and credit column under which the amount will be noted and columns for entering the date, voucher number etc.

All cash and bank vouchers will affect the ledger through one entry (into the corresponding affected account). This is the case except for cash withdrawals from bank and cash deposits into bank where both the entries will get reflected in the cash and bank book itself on the same date. For journal vouchers, both aspects of the transaction will be entered in the ledger itself, into the two affected accounts.

Asset Register

Often projects have provisions to purchase assets. Otherwise, assets are acquired by the organization from own funds or from other donations. Since assets, by definition, are meant to provide benefits for a longer duration, it is important to record their details and keep an updated list in order to be able to track and trace. This helps in ensuring that assets are not lost, misplaced or stolen or even if any of these events occur, the team can find out which particular item is missing from comparing the remaining physical items against the records.

The asset register is the book the records details of different assets. These details include date of purchase, amount paid, invoice details, identification details of the asset (including any serial number, registration number etc.), the physical location of the asset, the asset tag number provided by the project, date and mode of disposal and any other remarks. The asset tag number provided by the project should be noted on the asset through a sticker/ etching, etc. Any movement of the asset should be updated in the register. This register should be maintained in physical format with entries in permanent ink. Periodic physical verification is recommended (at least once in a year) in order to verify that all the assets as per the register are available with the project/ available with people to whom they have been assigned by a person authorized by the project (example – laptop assigned to a project member).

Stock Register

The stock register keeps track of items that are consumable in nature – stationery, communication materials, and other materials that would be used in the running of the project or distributed to beneficiaries. One or more pages would be allocated to noting the stock movement of a particular item with columns for date, quantity received, issued and balance as well as columns for person issued to and signatures of the issuing authority and the person receiving. The stock register has to be maintained in an updated manner and should be handled only by an authorized person. Physical balance of stocks needs to be cross verified against the balances as per stock register on a period basis (at least once every year).

Bank Reconciliation

The balance as per the accounts book needs to be verified against the balance as per the bank passbook or bank statement. However, unlike cash book and cash balance, the bank balances as per bank column in the cash book and the bank statement may not necessarily tally. This can happen due to the following.

- Cheques may have been issued but not presented at the bank by the receiver. Thus, as per our bank column, the amount has already been reduced, but in the bank, this amount still reflects in the account.
- Cheques or amounts may be directly deposited to the bank account by donor or other parties without intimation to us. Thus, the balance as per bank statement will reflect a higher amount than the balance in our cash and bank book.
- Cheques that are received physically by the project but not deposited into the bank will result in the bank column of the cash and bank book reflecting a higher balance than the bank statement.
- Even in cases where the cheques have been deposited, till they are cleared by the bank, the balance in the cash & bank book will reflect a higher amount than the bank statement

Bank charges that are debited directly by the bank into the account. When this is not intimated by the bank to the project, we can see how this will lead to a balance that is smaller in the bank statement than in the cash & bank book.

Any one or more of the above reasons can result in the balance as per the cash & bank book not matching with the balance as per bank statement. Thus, at a given point in time, these balances may not match for reasons that are perfectly acceptable. In such a situation, the recourse we have is to check and understand the reasons for the two balances not matching. If this difference can be explained by way of transactions of the nature listed above, then the balances can be considered to have matched.

The process of matching the two balances is called bank reconciliation and the statement that systematically identifies and records the two balances and the transactions that form the legitimate difference between the two balances is called the bank reconciliation statement. This statement is prepared periodically (weekly, fortnightly, monthly or quarterly depending on the volume of bank transactions – if the transactions are more, then the statement has to be prepared more frequently).

> **To Do Activity**
> "Finance is the life and blood of business." But an NGO generally does not have a profit motive then how are the finance issues handled in a typical NGO. Study about the financing options available and its actual use for NGO.

Bank Reconciliation Statement

Balance at the bank as per the companies cashbook			£1,500
Add: Unpresented Cheques			
Ostrich Ltd	Cheque No 0001234	£125	
Peacock Express	Cheque No 0065653	£250	
Giraffe Plc	Cheque No 0000009	£350	
			£725
			£2,225
Less: Outstanding Lodgements			
Meerkat tyx	BACS Receipt	500	
Lion ltd	Cheque No 0000007	350	
			850
Balance at Bank as per bank statement			£1,375

=Sum of all unpresented cheques: ostrich Ltd, Peacock Express, Giraffe Plc

=Opening balance plus the sum of ostrich Ltd, Peacock Express, Giraffe Plc

=Sum of all outstanding lodgements: Meerkat tyx, Lion ltd

=Balance after the addition of unpresented cheques £2,225 above less Meerkat tyx and Lion ltd, £2,225 minus £850 = £1,375

Figure 4.8 Sample Bank Reconciliation Statement

We picked up information on the elements involved in accounting for and managing the financial components involved in running an NGO operation.

4.3 Fund Management Procedures

Budget is one of the most fundamental documents in resource management. This unit lays down the procedures adopted by the civil societies for managing their funds. It also highlights the importance of budget and the process of formulating the budget.

Budget Management & Analysis

Budget is one of the most fundamental documents in resource management. The budget is the planned estimate of resources required (or available) in order to produce a given outcome of an expected quality and quantity. At the outset of the project, a budget is created and agreed to with the donor. The budget is usually made line item wise and contains information about quantity as well as amount. For example, the budget can refer to an allocation of Rs.10,000 for printing of 5,000 leaflets. This implies that the cost expected is Rs.2 per unit. However, in other portions of the budget there can be specifications on the quality expected (size of the leaflet, quality of paper, single or multi-color, etc.).

Budget Management

The agreed budget forms the basis of financial management in a project. The activities are planned in accordance with the budget available. Expenditures are made as per availability of budget and the person approving expenses has to keep an eye on the amounts already spent and balance available before providing approvals for expenditures. A budget is usually a realistic estimate of the amounts necessary for achieving the planned activities, objectives and goal of the project and keeping track of actual expenditures till date before approving further expenses helps the manager in not losing track.

Budget Variance Analysis

While the budget acts as a basic estimate of the proposed expenditure, it can also serve an important purpose after expenditures are made. This stems from the analysis of actual expenditure against the budget. This analysis is also called variance analysis since it analyses the variation of the actual expenditure against the budget. Variance analysis can be done in different levels and each of them will provide a different insight –

- Difference in total expenditure versus budget
- Difference in line item wise expenditure versus budget
- Difference in quantity/ level of activity (actual versus budget)
- Difference in timing of expenditure versus budget

The differences need to be analyzed and the impact on the project needs to be understood by the manager. If there are adverse impacts, then the manager needs to initiate steps to ensure that variances do not arise in the future, by keeping better track of the expenditures. In case the variance is unavoidable, then the budget maybe considered as not realistic based on ground situation. Discussions need to be conducted with the donor to explore the issue and to revise the budget in keeping with the ground realities.

Procurement Process

In projects that have many consumables or materials that need to be provided to the beneficiaries, procurement becomes an important function of the finance team. Since items need to be purchased in large quantities, it is important the required quality materials be procured at the least possible price. It is also important the procurement does not happen only on the basis of known contacts since this can lead rise to real or perceived benefits to the person making the procurement.

In order to do and to be seen doing fair procurements, the project should have a procurement policy in place that specifies the manner of procurement for contracts of different values. Usually, low value procurements are done at pre-contracted rates from empanelled vendors (example stationery items at pre-agreed rates from aempanelled stationery outlet). The empanelment process maybe done once in a year by calling qualified vendors to submit quotes for the items expected to be regularly procured during the year. For items of medium value, the process can require multiple independent quotations from qualified vendors and the lowest quoting vendor maybe awarded the contract. For high value items, usually sealed tenders are invited through advertisement in newspaper and contracts are awarded based on quality and pricing.

It is important that the project has these processes in a written manner and circulated to all concerned. All procurements should be done based on these processes. The process must also contain safe-guards to ensure quality post awarding of contracts to vendors, in the form of bank guarantees and/ or retention money.

The donor may also prescribe processes and formats for standardized procurements. In such cases, the project must ensure adherence to these. In case the donor’s requirements are silent on any issue, then the project must fall back to its own internal processes.

Advances Management

Advances are provided by the project for travel, for minor purchases, against procurements etc. As a matter of propriety, these advances need to be followed up and closed within a reasonable amount of time in order to ensure that there is no misuse of funds. In the first instance, any request for advance must be submitted by the project personnel in the appropriate format. The submitted format is to be then checked and forwarded to the appropriate authority for signature. Based on the signature, advance is released, usually as a cheque or bank transfer in favor of the recipient of the advance. Only in exceptional circumstances should advance be given as cash, at that too with clear remarks on the exceptional need for release of cash and with the signature of the approving authority.

The person taking the advance should utilize it only for the purpose for which the advance has been released (travel advance should be used only for travel purposes and should not be used for purchase of any materials or assets). Within the required number of days, or within a reasonable period of time (example, a week after the travel is completed), the advance should be settled along with all the required documents (usually, the tour report, the bills and the balance amount). In case the advance is not settled on time, it is the responsibility of the finance personnel to follow up and if necessary, take up the issue to the notice of the project authorities. An advance is provided for facilitating an express activity and should not allowed to be misused for any other purposes. It is also important for the project management team to verify this on a random basis and compulsorily verify any balances before doing the full and final settlement of any team member who leaves the project.

Tax

Non- profit organizations are exempt from paying tax as long as they do not indulge in any commercial or business activity and apply the grants, donations and income from any property to a charitable purpose. However, the NGO/ Trust still needs to register and get a TDS registration number and deduct and pay taxes on all payments to vendors as per the stipulations of income tax act and rules. Amounts should be deducted before making the payment and the should be deposited within the due date. Also, at the end of the financial year, form 16 (for salary TDS) and form 16A (for non- salary TDS) needs to be issued to all the employees/ vendors from whom tax has been deducted.

Service tax is also applicable to NGOs unless specifically exempt. Registration needs to be taken for service tax is total services provided exceeds Rs.9 lakhs per annum. Service tax needs to be added to the service amount by the NGO for services provided. This amount is recovered from the customer benefiting from the service (not the beneficiary, but the donor or company on who pays to the NGO for performing a service). The service tax amount, along with the returns has to be submitted within the due date.

FCRA Registration

Foreign contributions regulation act (FCRA) is the act that oversees all foreign contributions made to charitable activities in India. Any NGO receiving funds of foreign origin needs to register itself with the Ministry of Home Affairs. The NGO shall also open a FCRA designated bank account for receiving all funds from foreign sources. It should be noted that every NGO shall have only one FRCA bank account for receiving all foreign funds. Opening of multiple FCRA bank accounts is prohibited.

Funds received by the NGO in the FCRA account shall be used specifically for the purposes for which they have been received. Application for other purposes in not permitted. The NGO shall also provide an annual return to the ministry of home affairs in the prescribed format.

Further detailed information on the act and answers to frequently asked question on FCRA can be procured from http//mha.nic.in/fcra.htm

Contracts & Other Documents

During the course of the project, many important documents are received and issued by the project. These documents have legal and financial implications and the project must take care to have these documents and copies secured in an organized and safe manner. A general list of documents & contracts (indicative, not exhaustive) is –

Rental agreements (office building, clinic, etc.)

- Ownership documents for any property owned by the project – building, vehicles etc.
- Ownership/ invoices and warranty documents for assets purchased by the project
- Employment contracts for employees
- Consultancy contracts for consultants
- Guidelines, manuals, other documents issued by the project
- Originals of any artwork (leaflets, advertisements, etc.) commissioned by the project
- Reports and basic documents of any studies commissioned by the project

While the original documents must ideally by kept in a safe or in other locked cupboard, copies of the same must be available in another physical location. In a similar manner, copies of all-important financial documents (audited financial records, tax registrations audit reports, financial statements, digital back up of accounts) must be also kept in a separate physical location. This is for safety and continuation in case of any physical damages to the project location.

We internalized various aspects of financial juggling involved in an NGO operation such as budgeting, advancing, tax compliance, etc.

To Do Activity
Study about the two NGO's Child Rights and You, and Help Age India. Study there working and based on your study develop a strategy regarding management of funds by an NGO. Take care of rules of the govt. as well.

4.4 Project Management in NGOs

Project management has increased in relevance in the past few decades with the increasing understanding of its utility in the successful completion of time and resource bound ventures. The application of project management principles to public health projects in the last two to three decades, especially in the western world has brought about better outcomes.

Need for Project Management

Projects essentially are time bound ventures designed to achieve a certain predetermined objective. They can be defined as collaborative enterprise carefully planned to achieve a particular aim.
Need for PM in an NGO can be explored here <https//www.youtube.com/watch?v=AtmbhQGfMos>

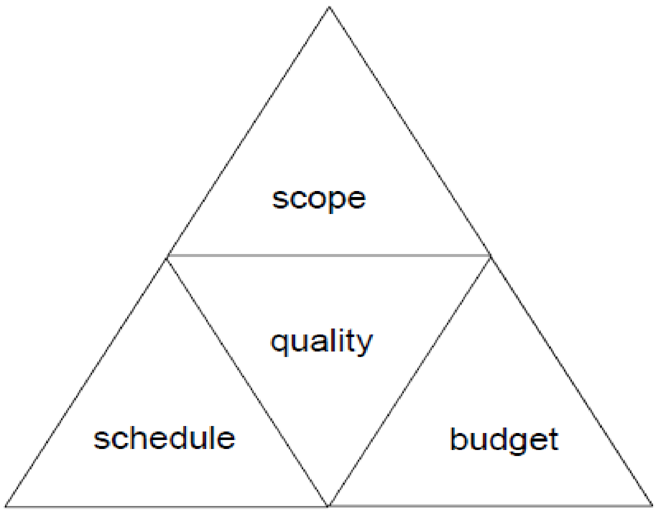

Figure 4.9 Need for Project Management (Golden Pyramid)
Source (Carroll A. , 1991)

Project Management can be understood as the act of people and resources coming together for a pre-determined period of time to achieve a particular aim in an efficient and effective manner. Efficient and effective are often used interchangeably. However, they do not mean the same thing. Efficient refers to achieving maximum productivity with minimum wasted effort or expense, whereas effective refers to the ability to produce a desired or intended result. As we can see, efficiency may give maximum output while spending the least resources, but may not achieve the desired result. On the other hand, effectiveness may achieve the desired result but may not do so at the least cost. In management and in project management, we try to be efficient as well as effective.

Figure 4.10 Phases of Project Management

Source Demystifying the 5 Phases of Project Management – smartsheet.com

All projects need to be managed under certain constrains. These constraints sometimes are imposed from outside (like the donor). If they are not imposed from outside, it is in the project owner and manager's interest to define them. This is because these four constraints also act as enablers. As we go through the rest of the module, it will become clear why defining these constraints are necessary and what role each of these constraints play on the successful management and completion of the project.

It is also important to be able to distinguish between institutions and projects. Let us look at an example below.

Here is a video that tries to give an idea of how NGOs typically manage projects <https//www.youtube.com/watch?v=sK9RIRjJ1zY>

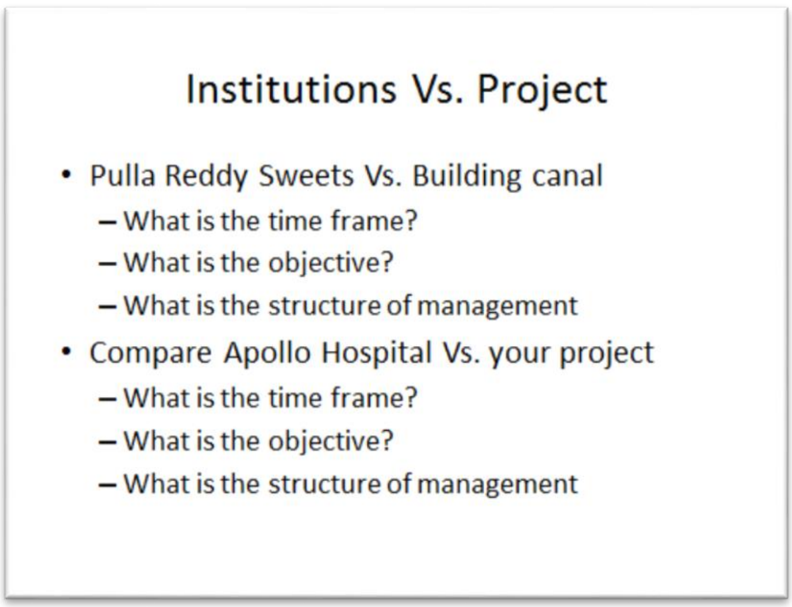

Figure 4.11 Institution vs. Project

Hint – Essentially institutions will have a perpetual time frame (running forever) while projects will have a pre-defined timeframe. The management structure of institutions will be elaborate and will be oriented towards the long-term survival and success of the firm (example – there will a team which looks at business expansions). However, the project management team structure will be short term and will be defined exactly as per the requirements of the project.

Scope Management

Scope Management is perhaps one of the most important components from the lifetime perspective of the project. Scope defines what is expected of the project and what is not. This helps in clarifying the goal to the project team as well as to the various stakeholders. Since the focus is clearly on what will be done by the project, the objectives and the activities of the project are also better defined. This in turn helps in schedule management.

Usually, the scope of the project, in terms of the goals and objectives is provided by the donor or is agreed with the donor. In projects where this is not the case, or where the project is created using own funds, it is an important exercise for the project owner and the manager. Not defining the scope of the project clearly can lead to situations where the project resources are not focused and get spent in various directions due to lack of clarity and changing priorities.

Schedule Management

Schedule management is the process of creating a timeline of activities and tasks through the project period, the completion of which will help achieve the project objectives and goal. A simple manner of understanding this is to look at a car drive from Hyderabad to Mumbai. The journey is of several hundred kilometers. Before starting on the journey, you will make a plan and note down various towns and landmarks on the way so that you know you are on the correct path. You will also note down where you will stop for food, for a rest and where you will sleep. In a similar manner, a project can be scheduled for its' duration.

The first step is to break the objectives created in the earlier process of scope management into activities and tasks. These are then plotted against the calendar in such a manner that dependencies are taken care of. Dependencies refer to situations where one activity depends on the completion of another. For example, you can do one to one communication using a leaflet only after the leaflets are printed and ready. So, the one to one communication activity using the leaflet is dependent on the activity of designing and printing the leaflet.

Alongside the activity and tasks that are now noted on the calendar, the person responsible for each task is also noted. The resources required and the outputs expected for each activity are also noted.
During the implementation of the project the activities undertaken are monitored against the schedule and deviations are noted and analyzed. Consistent deviations may require the management team to discuss with stake holders in order to correct the issue or to revise the schedule in case of genuine issues in keeping to the planned schedule.

Budget Management

It is important that the budget for the project be clearly defined before the commencement. Usually this is not a problem since the donor provides a specified budget amount along with expenditure heads and sub-heads with the allocation under each of these heads and sub-heads. In case of projects that are run with donations or own funds, the project owner and manager have to do this exercise and define the budget and allocations.

A useful video on project cost management can be found here
<https//www.youtube.com/watch?v=oXhgwn-girl>

Another video on project budgeting here <https//www.youtube.com/watch?v=hePqA01jS1I>

At the time of creation of the budget, it is also important for the project management team to clearly plan the level of activity against the budget amounts. This is crucial since the project can remain within the budget during implementation, but may not function at the activity level that was planned. For example, if the amount allocated for field travel for an employee for a month is Rs.5,000, it is important to also define that the employee is expected to spend 10 days in the field in the month. Later, during implementation, the monitoring will include not only checking that the actual amount spent is under Rs.5,000, but also that the employee has spent 10 days in fieldwork. Keeping the spend at Rs.4,800 while having worked in the field for 5 days should actually be noted as overspending or inefficiency.

In terms of monitoring, the project management team should also ensure that due authorizations are available for every expenditure. Monitoring would also include periodic checks, internal and external audits and reporting to stakeholders on the levels of activity accomplished and the under/ over spend against the budget.

Quality Management

Defining the quality standards of the project is an often-ignored enabler. The importance of this enabler lies in the fact that this has a direct impact on the beneficiaries of the project. Quality should be defined in measurable terms for all important activities. For example, a bank measures the quality of customer service at the call center by multiple means. It checks the amount of time a person has to hold the call before being attended to, the time it takes to provide a solution to the caller, whether the issue was resolved at the end of the call and the actual satisfaction rating provided by the caller after the call.

From a project perspective, quality standards can be defined in terms of the quality of any goods or services provided to beneficiaries. For example, where a project is providing free notebooks and pens to school children, the quality of the notebook, the number of pages it should contain, the number of notebooks given to each student, the time duration in which it would be given to the student should be defined.

As with the other enablers, the quality of the outputs should be routinely or periodically monitored against the standard and any deviations should be looked into. Quality management needs to be taken very seriously because the beneficiaries usually are not in a position to raise a voice or complain since they feel indebted for any help received. For example, a student is unlikely to complain against the project if she receives five 80 pages notebooks instead of five 100 pages notebook. However, the project management team should be aware that the student has a right to get the correct notebooks.

Contract Management

Contract and supplies management is also known as procurement management. Common sense suggests that we should plan for the procurement of all items based on their perishability and on the time of need. If the items are non- perishable, like leaflets, and they are needed every month for one year, then the entire procurement for the year should be done in one lot so as to get the best rates. Based on the scheduling done earlier, the project management team already knows the inputs that are required. This is then organized in a schedule and purchase planning is done. Based on the bulk and the value of the purchase, the appropriate procedures should be followed for getting the items.
Details of the procurement process and rules are provided in the finance management training module.

Team Management

The soul of any venture is its' people. This is a fact that is increasingly acknowledged by all organizations, large and small. The project must first create an organogram (a chart depicting the different roles in the project and how they are connected to each other). The roles provided here will be the same as the roles that were marked out for activities in the scheduling portion earlier.

Once the roles are marked out, the qualifications, experience and other requirements for each role are identified and defined. The training that needs to be provided to each role holder is also identified. The training can be a single one at the time of joining or multiple rounds of trainings, with an induction training at the time of joining and one or several more rounds of training subsequently.

The appraisal process must also be decided and announced upfront. How often will the appraisal happen, what points will the employee be appraised against, what will be the outcome of different appraisal ratings etc., must be clearly communicated. This is also a period when formal feedback on ways of working and areas of improvement can be provided to the employee.

It can be seen that all of the above processes help provide better clarity to the management team in terms of identifying the right person for each role and also clarity to the employees in terms of what is expected of them and what actions will get rewarded. Such clarity helps in maintaining high morale in the team and encourages high levels of performance and promoted high level performers.
Here is a video discussing managing remote teams – very relevant to NGOs
<https//www.youtube.com/watch?v=rb3LhwPr7P4>

Stakeholder Management

Stakeholders are all the persons who have an interest in the project. This can include the beneficiaries, the local government bodies, the donors, other projects or organizations that are involved in similar work etc. Thus, we can see that while the donor may be paying the money for the project, there are several groups who are interested in the project.

The project should identify the different stakeholder groups at the beginning of the project. This exercise is useful in ensuring that all major decisions are taken keeping in mind these different stakeholders. Once can see easily that such a decision-making process will help in avoiding conflicts later in the project.

Once the stakeholders are identified, their interests and concerns should be listed. This again feeds into the information that is provided to them on a periodic basis helping in creating a smooth relationship. The communication strategy towards each stakeholder is built around this.
Self-test question - Who are the stakeholders for the current training program me?

Information Management
Data that is organized in a meaningful manner becomes information. Information is a crucial input into all decision-making activities. For example, it would be difficult to take a decision on whether to give an increment to an employee if the information about his or her past performance is not available.

As a first step, various types of information that is required for implementing various activities and for monitoring them should be identified and noted. Then the sources for this information need to be identified. Who will provide this information, in what frequency and in what formats? Who will make use of this information and for what?

It is very important that all the project team members understand why a piece of information is being collected and how it will be used. This helps in two ways; one, it gives an idea about the importance of the information to the person who is asked to collect it. Two, it also helps weed out the collection of unnecessary bits of information that no one uses.
This video deals with using information systems in the NGO management space
<https//www.youtube.com/watch?v=sNNZ0iZ64OU>

As a last step in this process, the user of the information should necessarily provide feedback on the results from the analysis of the information collected to all the people involved in its' collection. This is necessary to ensure proper use of the information and also for the people collecting the information to benefit from its' analysis.

Risk Management
As they say, 'man proposes and God disposes. Things do not go always as planned. However, an intelligent planner will always spend some time and energy anticipating the risks associated with the project. A risk is any event that threatens the success of the project. For a risk to be considered, it should either have a reasonably high chance of occurring and/ or it should be a low probability event but with a high level of impact.

Here is a video discussing risk management in projects
<https//www.youtube.com/watch?v=D3S6kpBlDbk>

Once a risk is identified, the project management team has two alternatives. Either they can create a plan to mitigate and reduce the risk, or they can create a back-up plan for achieving the success of the project using alternatives that are not affected by the occurrence of the risk event. For high impact events that can seriously affect the viability and success of the project, the project management team should plan for risk mitigation as well as back-up options or what is popularly called Plan B.

We learnt how the various elements involved in a project can be brought together under the paradigm of project management, designed specifically for NGOs.

To Do Activity
Assume that you are working with a NGO and have been given a project related to rural health and hygiene. How will you go about it? Design the entire project management proposal keeping in view the govt. rules and regulations applicable for NGO. Also take care of finance requirements.

Describe the significance of project management in planning, execution and follow-up of a project
Compare the on-site and off-site components of a project through a PM lens. Attempt to connect these with each other.

4.5 Project Life Cycle

This section discusses describes the project life cycle and also highlights the importance of every phase in the project.

Initiation
This phase consists of all the activities before the project is actually started. This includes creating the proposal, bidding, negotiation ending with signing the contract. This phase needs to be done with due seriousness since not only does it result in the award of the project, but it is also the phase where the terms of the project are agreed to. The project manager or owner should only agree to those terms that they are confident of adhering to.
Planning
Once the project has been awarded, the task of planning starts. All the components we have seen earlier in terms of enablers and facilitators are now defined and planned. The scope is defined, the schedule made, the budget set, quality agreed. The procurement procedures are put in place, the team planning is done, stakeholders are identified, information needs are assessed and the risk mitigation plan put in place.

Setting goals that are specific, measurable, attainable, realistic and timely is key in this phase.

Figure 4.12 Phases of Project Management
Source Demystifying the 5 Phases of Project Management – smartsheet.com

As the old saying goes, if you have 10 hours to cut a tree, spend 9 hours sharpening your axe. Similarly, a time spent on planning is well spent. It will ensure that the project is well thought out. It reduces the chances of problems, conflicts and issues in the future and increases the chances of success.

Implementation

The action starts with the implementation of the project. This is where all the planning comes together. The phase starts with staffing and training. Staff members are recruited as per the role description and trainings are imparted. Once the staff are trained, field activities are initiated as per the schedule alongside initiation of the procurement for materials.

While the implementation happens, monitoring should also be done to ensure that the activities are undertaken within the budget allotted, while producing the outputs according to the quality agreed. Reports and communications as per the plan should go out to the various stakeholders.

Monitoring

Monitoring is at the heart of project management. This is the critical tool used by the project manager to ensure that once implementation starts, things are going according to plan and that the project objectives and the goal would be achieved. Based on the information management system put in place, reports are used to monitor the

- progress of the project against schedule
- quality of output against the agreed standards
- under or over spend against budget for the actual level of activity

Any deviations are analyzed to understand the reasons behind them. Deviations could be due to external circumstances, due to improper implementation of attitudinal issues of staff. Corrective measures need to be promptly taken by the project management team. These can range from feedback and counselling to the staff, re-training, or considering a change in the schedule or budget based on discussions with stakeholders.

- Monitoring may also take the form of external verifications. For example, external auditors can audit the books of accounts, project officers from donor agency can visit and review the progress.
- Monitoring also provides the necessary inputs, along with the information management systems for communications with various stakeholders.

Adapting

While intelligent planning can go a long way in helping the project achieve its' objectives and goal, no amount of planning can consider all possible future circumstances. There can be issues or constraints that were not anticipated at the planning stage. These will get revealed as variations from the plan become apparent during monitoring. Where such constraints are revealed, the project management team should discuss with the stakeholders and alter the plan in order to reflect the realities with the objective of achieving the goal of the project.

Feedback Loop

Feedback loops basically take information about variances after the monitoring stage and use it as inputs into planning. In the earlier subsection of adapting, we have looked at a scenario where there are project planning or design issues. Certain constraints or environmental circumstances may not have been considered or may have undergone substantial changes (like the introduction of a new law affecting the space we are working in). Such cases have to be dealt with in the manner described under adaptation as a revision to the plan in consultation with the various stakeholder groups.

Feedback loop can also reveal flaws in implementation. These are cases where the project planning is fine, but the implementation is not achieving the desired results. Information from monitoring needs to be considered and analyzed further. In many cases, the employee who is responsible for the related activities may need to be re-trained and this will help resolve the issue. Sometimes, it may be so that the employee is not suitable for the particular role. In such cases, he or she needs to be transferred into other opportunities that are more suitable for him or her and recruitment should take place without delay to fill the gap. In cases of attitudinal issues, it becomes clear that the employee is not interested in producing the agreed outputs despite being provided training and retraining and counselling. In these cases, the extreme step of letting the employee go is taken in the interests of the project.

Closure

At the end of the project period, the project draws to a close. If it has been managed well and things have gone as per plan or revised plans or even Plan B, the goal of the project should have been achieved and the project can be wound up. In case the goal has not been achieved yet at the end of the pre-determined period of the project, but the progress has been substantial, the project management team can discuss with the donor and stakeholders for an extension of the project period. This may be granted with cost or on a no-cost basis. Where cost is provided, the donor supports by giving additional time and additional funding. Where the extension is on a no-cost basis, the donor agrees to provide additional time to complete the project while utilizing the remainder portion of the earlier budget.

Proper and formal closure is an important exercise and should cover the following –

- Achievements and learning from the project should be documented and shared
- Financial closure reports should be made and authenticated by the auditors
- Documentation of best practices should be done and disseminated
- All records and financial documents, hard and soft copies should be moved to safe storage. Most donors require that the records be maintained for 5 to 8 years
- Any assets procured by the project from the project budget should be disposed of in a manner agreed to with the donor

Impact Assessment

Integration of project and its impact assessment is one of the most important ways in which an NGO manages its operation. NGO's often have pressures from the funding agencies to explain their working and operation. Many NGO's use RCT's for this purpose. Many NGO's suffer at this end due to lack of expertise and funds. Generally overall assessment of an NGO is not in practice but assessment of one or the other project is frequently carried out by an expert.

We learnt about the elements involved in the various phases in a project's life cycle. We also looked at how impact assessment mechanisms are usually built into the project framework itself.

To Do Activity

Assume that you are working with a NGO and have been given a project related to rural health and hygiene. How will you go about it? Design the entire project management proposal keeping in view the govt. rules and regulations applicable for NGO. Also take care of finance requirements.

Model Questions

1. Describe the significance of a grievance protocol in an NGO
2. Evaluate the statement "selecting the right candidate is even more valued in an NGO as compared to for-profit organizations".
3. How you think book keeping and bank reconciliation helps with financial resource management in an NGO? How is this related with its fund management?
4. Describe the major elements of fund management as per an NGO stand point of operations
5. How would you relate the budgeting process in an NGO to its projects in the field?
6. Describe the significance of planning for the project life-cycle in a project management lens.
7. Elaborate how a project can be run through initiation to closure and follow up.

Suggested Readings

1. A brief introduction to PM can be found here <https//www.youtube.com/watch?v=BOU1YP5NZVA> and here <https//www.youtube.com/watch?v=49-LbHZSF3U>
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Chapter 5 Corporate Social Responsibility

Introduction

This section introduces to the concept of corporate social responsibility (CSR). Since an organization operates in an environment that takes up the resources from the society, it understands its role in paying back to the society.

Objectives

- To gain a basic understanding the concept of Corporate Social Responsibility, its underlying philosophies, and significance.
- To gain insights on principles, theories, and various models of CSR
- To understand why CSR is significant as a strategy to your organization in the current times
- To review and understand the historical backgrounds and evolution of CSR philosophy in the Indian context.
- To gain an insight into the different approaches adopted towards CSR and also the road ahead for the companies indulging into CSR.

5.1 Corporate Social Responsibility

The term 'corporate' is generally used to refer to large profit-making organizations that operate and exist as a part of the society and have a sense of responsibility towards the society. Since an organization operates in an environment that takes up the resources from the society, it understands its role in paying back to the society. This entire notion is what we formally address as "corporate social responsibility". (NPTEL & Malik, 2017).

"CSR is about how companies manage the business processes to produce an overall positive impact on society." (Baker, 2004)

The World Business Council for Sustainable Development in its publication Making Good Business Sense used the following definition.

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". (Holme & Watts, 2001)

There are three components of corporate a social responsibility(NPTEL & Malik, 2017). These are listed below

- corporate profit making,
- social connection with the environment in which the organization functions.
- responsibility to sustain the environment.

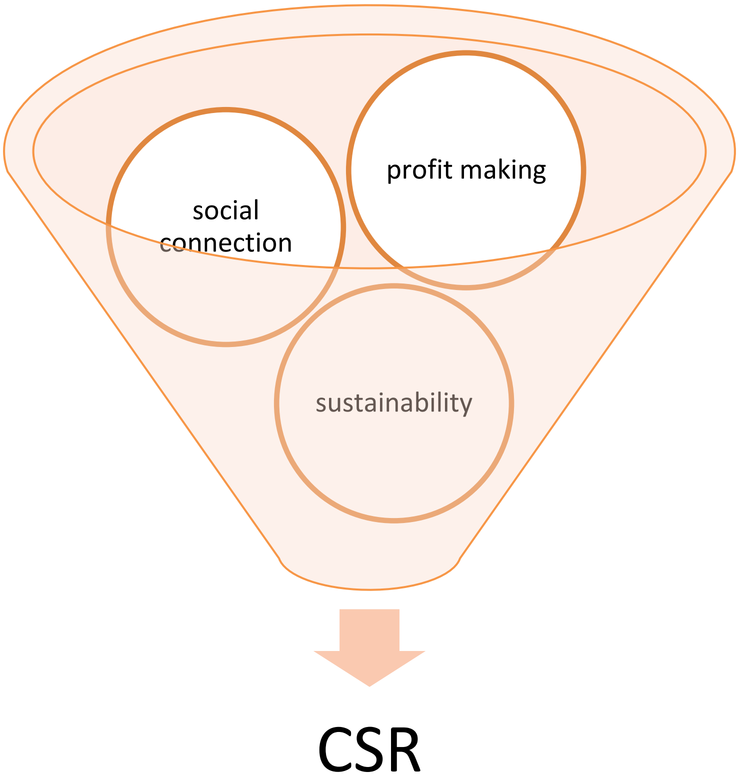

Figure 5.1 Elements of CSR

CSR Pyramid

CSR pyramid was developed by Carroll. Also known as Carroll's CSR pyramid, it illustrates the different types of obligations that society expects of businesses, through its different layers. In other words, it is a framework describing the need and the ways in which the organizations strive to keep their operations sustainable in all the aspects, vis-a-vis, socially, environmentally and economically. A CSR pyramid is given below.

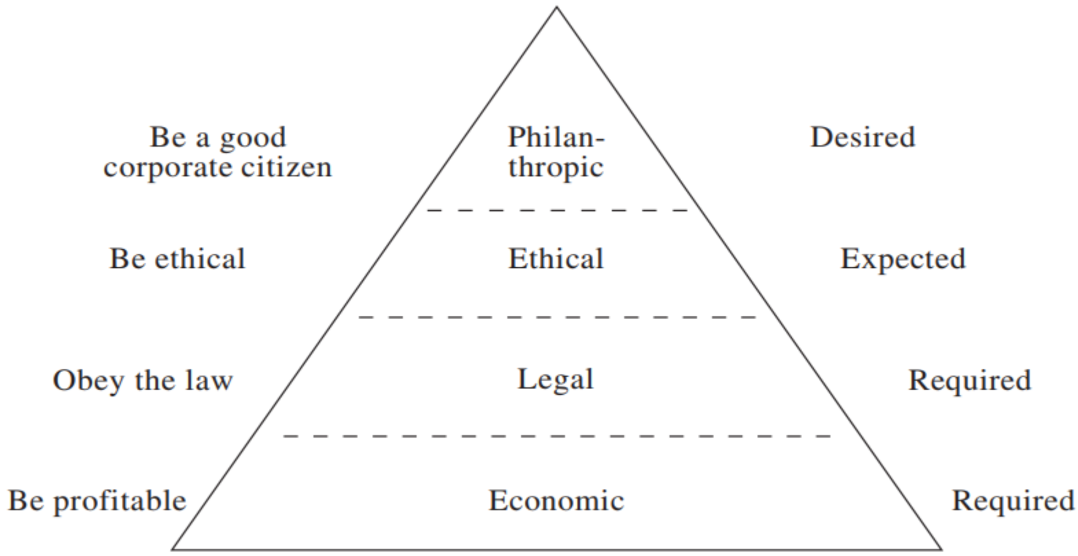

Figure 5.2 CSR Pyramid

Source (Carroll A. , 1991)

The CSR model describes the profits as the base of the pyramid, which further extends towards fulfilment of other obligations as to legal procedures, social norms etc. The hierarchy of the pyramid states that only after the basic needs are fulfilled, the organizations will proceed towards fulfilling their philanthropic interests. A brief description of these components of CSR pyramid is given below

- Economic Deals with the profits of the business
- Legal Deals with the Laws and regulations
- Ethical Deals with the ethics and moral practices followed by the business and also the integrity of its stakeholders
- Philanthropic Deals with the moral responsibility of the business towards the society at large in which it operates.

5.2 History and Evolution of CSR

"The historical evolution of the concept CSR can be divided into six phases from early 1950s to 2000s

- 1950-1960s—Period of Introduction of CSR in the academic arena and corporate philanthropy as CSR.
- 1970s—Period of rapid growth in the concept of CSR.
- 1980s—Period of Stakeholder Theory and Business Ethics.
- 1990s—Period of CSR Practicing by Corporate.
- 2000 onwards—Period of empirical works to investigate the determinants and consequences of CSR on corporate strategy" (Bhaduri & Selarka, 2016).

Frederick opinions out three core ideas of trusteeship and corporate philanthropy

- Corporate managers as public trustees.
- Balance of competing claims to corporate resources.
- The acceptance of philanthropy as a manifestation of business support of good causes.

To Do Activity

Study the CSR programs taken up by any two companies of your choice. Eg. TATA, ITC. Do you think the activities taken up by them have a noble cause and based on your study of these companies draft a set of activities you can take up as a part of the company in which you are placed?

following figure delineates the development of different CSR concepts over a period of time.

Development of CSR concepts

Period	Name of Concept	Description	Literature
1950s-1960	Social Responsibility of businessmen	The obligations of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behavior. Private contribution to society's economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends.	Bowen (1953) Davis (1960) Frederick (1960)
1960s-1970s	Stakeholder Approach Three Dimensional Model	Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. The concept consists of corporate responsibilities (i.e., economic, legal, ethical and philanthropic), social issues of business (e.g., labor standards, human rights, environment protection and anticorruption) and corporate actions (e.g., reactive, defensive, accommodative and proactive).	Johnson (1971) Carroll (1979)
1980s-1990s	Three-dimensional model of principles, policies and processes Institutional Framework and extended corporate actions	Integration of the principles of corporate responsibility, the policies of social issue management and the process of action into an evolving system. Four types of corporate responsibilities (i.e., economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e., legal, organizational and individual), while corporate actions are extended to assessment, stockholder management and implementation management.	Wartick and Cochran (1985) Wood (1991)
2000s	Three-domains approach New Concept	Three domains of corporate responsibilities: economic, legal and ethical. A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close corporation with the stakeholders.	Schwartz and Carroll (2003) European Commission (2011)

Figure 5.3 Development of CSR Concepts

Source (Jhawar & Gupta, 2017)

We learnt about the multi-level significance of CSR to businesses as well as the local community and environment. We also glanced through the historical evolution of CSR.

5.2 Principles of CSR

This unit introduces to the key principles of CSR. It also discusses the various theories that lay down the guiding principles for implementing the CSR. Towards the end of the unit, we also describe the different models of CSR that have evolved over a period of time.

Principles of CSR

CSR has become a vital component for almost every business today. It has been made mandatory by the Government to contribute towards the CSR activities and hence, slowly the concept has gained momentum. The CSR activities are also therefore governed by certain rules and regulations, which we term as principles of CSR. The key principles of CSR are described below

- Developing structures, practices and procedures so as to ensure ethical conduct of activities.
- Maintaining transparency in the corporate communications so as to ensure the informed decision making by the concerned stakeholders.
- Refrain from engaging in corrupt practices
- Following the mandatory disclosure norms so as to discharge the financial responsibility as well
- Following the adequate reporting practices
- Ensuring that there is no violation of conduct on the part of the company for any third-party transaction

Philanthrocapitalism

The term philanthrocapitalism is used to refer to the way of conducting a business in which there is integration of venture philanthropy wherein specific social programs are pursued in order to yield return on investment in the long term as well as the passive form involving social investors who tend to seek benefit from the socially responsible programs.

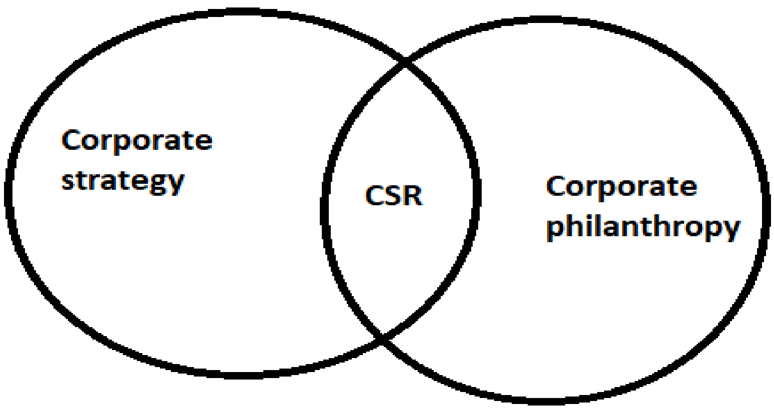

Figure 5.4 - Scope of CSR

Theories of CSR

The following section describes the various theories of CSR. Let's take them one by one
Corporate Social Responsibility (CSR)

'Corporate social responsibility' has two meanings. First, it's a general name for any theory of the corporation that emphasizes both the responsibility to make money and the responsibility to interact ethically with the surrounding community. Second, corporate social responsibility is also a specific conception of that responsibility to profit while playing a role in broader questions of community welfare.

As a specific theory of the way corporations interact with the surrounding community and larger world, corporate social responsibility (CSR) is composed of four obligations

- Economic responsibility.
- Legal responsibility
- Ethical responsibility

- Philanthropic responsibility

Taken in order from top to bottom, these four obligations are decreasingly pressing within the theory of corporate social responsibility. As a hierarchy, the logic behind this ranking works easily. For example, a law firm on the verge of going broke probably doesn't need to feel the responsibility to open up for school visits, at least not if the tours interfere with the accumulation of billable hours and revenue. Obviously, if the firm does go broke and out of business, there won't be any school visits in any case, so faced with financial hardship, lawyers are clearly obligated to fulfil their economic obligations before philanthropic ones.

More difficult questions arise when the economic responsibility conflicts with the legal one. But, at the time of the decision, there may have been less certainty about exactly what the risks and benefits were. Even among individuals promoting a strong sense of corporate responsibility for the surrounding community, there may have been no clear answer to the question about the proper course of action. Regardless, corporate social responsibility means every business holds four kinds of obligations and should respond to them in order first the economic, then the legal, next the ethical, and finally the philanthropic.

Triple Bottom Line Approach

Also known as TBL or 3BL, this approach proposes a three-level framework that includes social, environment and financial components. This framework proposes to use these three areas to evaluate the performance and hence create business value by adopting this broader perspective. This theory clear cut indicates the sustainability to represent the intersection of ethics and economics, thereby featuring the long-term maintenance of balance. As elaborated by theorists including John Elkington, here's how the balance is defined and achieved economically, socially, and environmentally

- Economic sustainability (long-term financial solidity over more volatile, short-term profits, no matter how high).
- Social sustainability (balance in people's lives and the way we live)
- Environmental sustainability (Optimum utilization of scarce resources)

Together, these three notions of sustainability—economic, social, and environmental—help the businesses strive toward Sustainability.

Legitimacy Theory

Legitimacy Theory highpoints the degree to which corporate disclosures, both social and environmental are affected by the boundaries that are established by the society so as to be valued and avoid being penalized by the community in which the company operates. (IGI Global, 2019)

The different ways that are adopted by the companies to legitimate their activities are described below

- Reporting - Educating the relevant stakeholders about their actual performance.
- Public impression management - Changing the perceptions of the relevant stakeholders about the fundamental problem without altering the organization's behavior.
- CSR Activities and advertising - Distracting the attention away from the subject of concern and seek to divert the attention to a favorable issue.

- Brand management- Seek to change external expectations about the organization's performance.

Stakeholder Theory

This theory is a blend of organizational management and business ethics. This theory addresses the values and morals that are required while managing an organization. It integrates both market-based view as well as the resource-based view and further takes it to a socio-political level. The following figure illustrates the theory with its relevant areas.

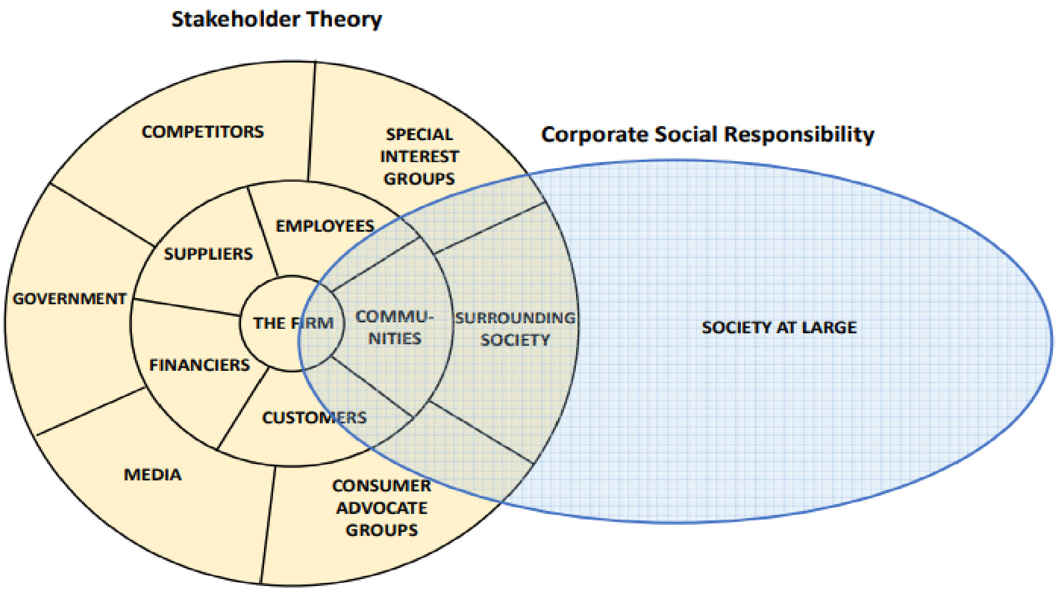

Figure 5.5 - Relation between Stakeholder Theory and CSR

Source (Freeman & Dmytriyev, 2017)

Models of CSR

Traditional Conflict Model

This model lays emphasis on the conflicting role of CSR with the traditional profit-making objective of the company.

Added Value Model

It proposes social and environmental commitments as a means to increase profit. This model focuses on issues such as value of CSR in finding socially conscious employees, attracting socially conscious consumers and managing the risks of negative press.

Multiple Goals Model

This model lays stress on the importance of social values in corporate decisions that are untethered to economic values. This states that the corporations have goals that are beyond shareholder value, and include the activities for enhancing the welfare of the community without respect to financial advantage. Here is an article that speaks of how CSR can be deployed through social entrepreneurship initiatives.

We went through the guiding principles, philosophies, theories as well as some major models of CSR, and also explored the relatively new-fangled concept of philanthrocapitalism.

To Do Activity

Based on your study and understanding of the principles of CSR analyses the CSR activity taken up by Starbucks and HZL. Do you find the initiative taken up by the companies justified with reference to the objectives of CSR?

5.3 CSR as a Strategy

This section describes the strategic role of CRS. Understanding the role, a company plays in the localities and communities that it serves is vital to determine the impacts its operations have on the environment. Among its stakeholders, the communities and localities in which they function is also a party whose goodwill and well-being the company should strive to ensure.

Strategic Corporate Philanthropy

Business entities need to play a strategic and constitutive role in attempts to address the most pressing issues faced by our local, national and global communities. Society has increasingly been mandating that for-profit organizations also engage in contributions to social purposes. It is important for an organization to demonstrate to the larger society how it makes a beneficial contribution to society.

Understanding the role, a company plays in the localities and communities that it serves is vital to determine the impacts its operations have on the environment. Among its stakeholders, the communities and localities in which they function is also a party whose goodwill and well-being the company should strive to ensure. This in turn helps in identifying management strategies so as to minimize the harm caused directly due to the company's operations. For example, creating a diverse workforce sourced out of the local population, providing retirement planning training early in their career to prepare the staff and workforce for retirement, etc. are all ways of giving back to the society which enables the company to operate and meet its objectives.

"Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate." (DeBoskey, 2018)

– Larry Fink (Chairman and CEO, BlackRock).

According to 2017 Cone Communications CSR Study in the USA, "78% of consumers want companies to address important social justice issues. 87% will purchase a product because a company advocated for an issue they cared about" and, conversely, "76% will refuse to purchase a company's products or services upon learning it supported an issue contrary to their beliefs" (Cone Communications, 2017). The 2016 Cone Communications Millennial Employee Engagement Study in the USA found that "83% (consumers) would be more loyal to a company that helps them contribute to social and environmental issues" and "88% say their job is more fulfilling when they are provided opportunities to make a positive impact on social and environmental issue" (Cone Communications, 2016).

Even presenting employees with opportunities to engage in in social, environmental and other sustainable causes are beginning to be seen as effective strategies to expand and diversify employee skills to meet unique requirements of work in an ever-changing globalized world. For example, employees who serve as members in non-profit boards, especially as their company's representatives enhance value at the workplace by helping promote diversity as well as inclusion goals of their employer. This experience has also been found to bring about positive changes in the communities where they live and work.

Figure 5.6 - Impacts of Sustainability Initiative Experience to Employees

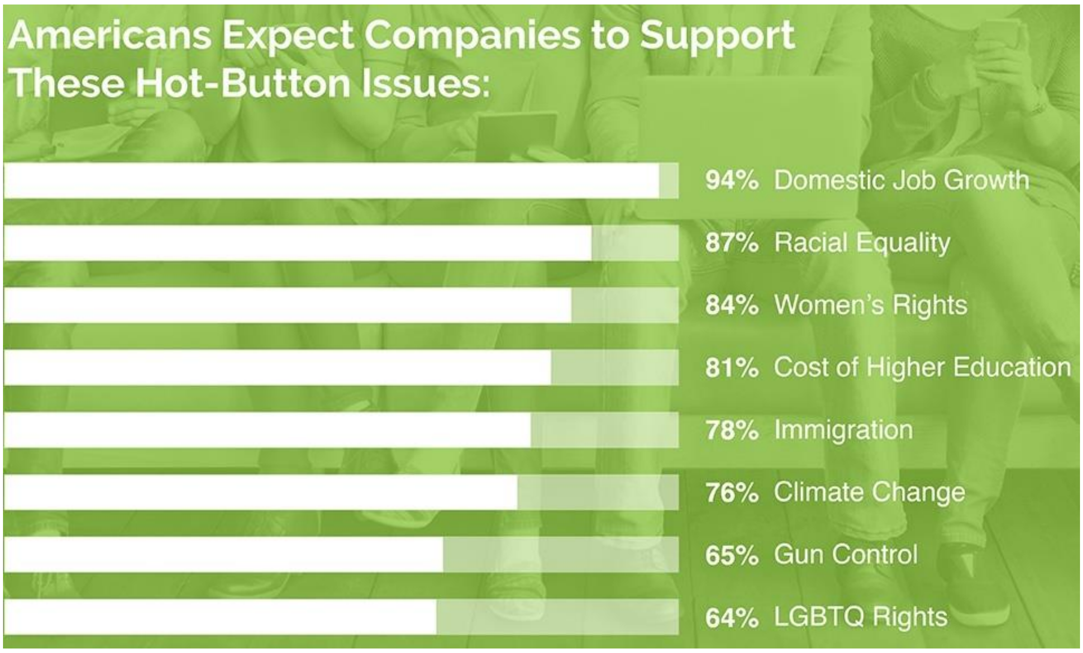

Figure 5.7 - Impact of CSR on Consumer Decisions

Source (Cone Communications, 2017)

Strategic Corporate Philanthropy has increasingly been gaining momentum as a critical component of attracting customers, irrespective of the size of the company, the beneficiaries, or the involvement. Businesses increasingly recognize that their reputation as a responsible corporate citizen actually boosts their prospects in recruiting, engaging and retaining employees. It also helps forge healthier relationships with vendors and regulators, fulfil investors' motives and deepen ties with clients.

In today's ruthlessly competitive and rapidly fluctuating business environmental conditions, corporate philanthropy, without doubt is a critical component of business. It must be "strategic and part of a company's DNA – and so much more than random acts of kindness". (DeBoskey, 2018).

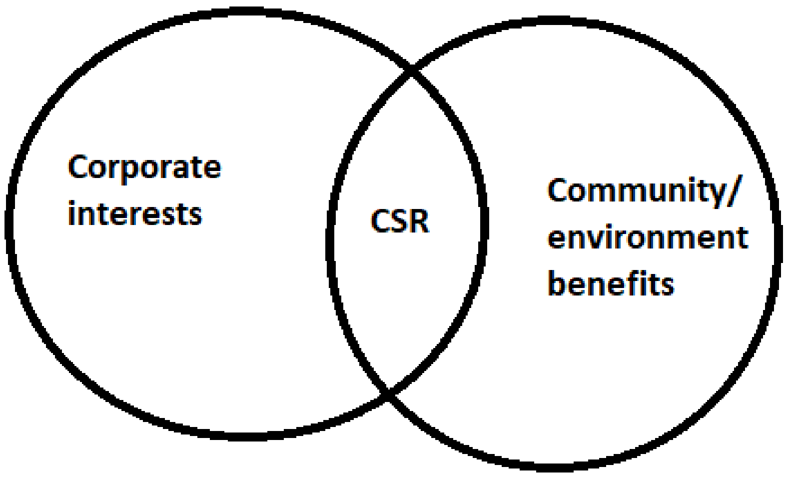

Figure 5.8 - Scope of CSR

Corporate Citizenship

Corporate citizenship refers to the state when a company exhibits commitment to ethical and moral values by balancing stakeholders' needs while still upholding protection of the environment. The difference between CSR and corporate citizenship remains that there is a sharper focus on employee rights, environment, and education with the latter. To illustrate with an example, Microsoft recently won 'Corporate Citizenship Company of the Year' award for their efforts with 'Making Cents International', an organization that helps with education and coaching of global youth.

Corporate Social Performance

"Corporate social performance (CSP) refers to the principles, practices, and outcomes of businesses' relationships with people, organizations, institutions, communities, societies, and the earth, in terms of the deliberate actions of businesses toward these stakeholders as well as the unintended externalities of business activity". It is defined as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships"(Wood, 1991).

Corporate social performance refers to the stakeholders' temporal assessment of the CSR and corporate citizenship in comparison with competition. Stakeholders are allowed to evaluate and analyze a company through three variables.

The first component of corporate social performance model is social responsibility, which is comprised of economic, legal, ethical, and philanthropic aspects. Organizations are expected to examine whether they have been victorious in each specific component starting at the bottom of the pyramid economic (since the primary motive of a business is profit).

The second component is the mode of social responsiveness which refers to how receptive a company is to social concerns. A company can choose to be upbeat, accommodative, defensive, or reactive. A socially receptive company will also be proactive. An example for this could be Microsoft's initiative called Youth Spark, which helps young minorities gain experience in technology such as coding.

Social issues of stakeholders is the last element of corporate social performance analysis. This element serves as a pointer to check whether their operations substantially affects adversely the smooth social and cultural life of any stakeholder associated with the company either directly or indirectly." (Wood, 1991).

Corporate Social Irresponsibility

According to Friedman (1970), businesses ought not take social accountability, individuals should. The people working with an establishment have an obligation towards the holders. The article argues to make as large of a return of investment as possible, while still adhering to basic ethical rules and statutory laws. If a person working in a company feels the need to act in a certain socially accountable manner, this needs to be carried out on a personal level, and not based on the identity of the company, since this can be seen as thieving from the proprietors. (Friedman, 1970).

Corporate social irresponsibility (CSI or CSIR) is a concept that has just begun to grow as a theme of concern on the international scene. CSIR can be described as "a decision to accept a choice that is less moral than its alternative" (Murphy & Schlegelmilch, 2013). Murphy and Schlegelmilch (2013) further expand that while companies that have CSI arrangements might not be flouting the law, but are, however, not taking complete accountability as a company. Wagner at al. call CSIR as negative CSR, which is being conveyed to patrons by mass media (Wagner, Bicen, & Hall, 2008). Lin-Hi and Müller (2013) described two kinds of irresponsibility; Intentional CSI denotes corporate acts like bribery and tax evasion, and unintentional CSI denotes detrimental events, such as a cyclone, triggered by external elements. (Lin-Hi & Müller, 2013).

We learnt how CSR can effectively be used as a corporate strategy to gain a competitive edge in the market. We also glimpsed at the relatively recent idea of CSIR and how that too has been argued to be a valid strategy for business enterprises.

To Do Activity

Assuming that you are the head of the CSR division of an IT company design a CSR strategy for your company keeping in view the primary objective of the company in compatibility with the CSR objectives.

5.4 CSR in India

This section discusses in detail the CSR scenario in India. CSR has been in informal practice since ancient times in the form of charity to the disadvantaged and other people in need. Indian scriptures in many instances mention the pivotal aspects of sharing part of one's resources with the deprived segments of society. We Indians can feel proud to possess a deep-rooted cultural trait of caring for each other through sharing.

A Brief History

India boasts the world's richest tradition of Corporate Social Responsibility and perhaps the longest continuous cultural observance of the idea behind the concept. The term CSR may be relatively new to India, but the concept of for-profit ventures giving back to the society and environment dates back to Mauryan history, where philosophers like Kausalya underscored the relevance of ethical practices and values while going about with business activities. CSR has been in informal practice since ancient times in the form of charity to the disadvantaged and other people in need. Indian scriptures in many instances mention the pivotal aspects of sharing part of one's resources with the deprived segments of society. We Indians can feel proud to possess a deep-rooted cultural trait of caring for each other through sharing.

Philanthropy in India for the most part has always been associated with religious institutions. In the socio-cultural setting of a hierarchical caste-based system of segregation dating from the Vedic ages, religio-cultural traditions of Dan and Sava, and later the Zakat following the entry of Islam, functioned in India for centuries serving to shape the affiliation between the privileged and the ritually and otherwise cast out. Religion have also played a sizeable role in endorsing the concept of CSR. Islam has a mandate called Zakat, which stipulates that a share of one's income must be shared with the less privileged as donations. Traders belonging to the Hindu cultural faith believed in giving alms, contributed to get temples built and night shelters set-up for the disadvantaged sections of society. Hindus followed the notion of Dharmada where the producer or seller levied a certain amount from the buyer, which was meant to be utilized for charity. In similar terms, the Sikhs follow Daashaant.

Some of the first industrialists of the 19th Century such as Jamshed Tata initiated the culture of corporate donations via trusts, and endowed institutions managed by members of (often their own or a relative's) business families. A new leg of corporate philanthropy emerged after the First World War when Mahatma Gandhi proposed a model of trusteeship for business in which businessmen should comprehend their position as trustees of society's wealth.

In the period immediately following Independence, the role of the Indian State extended significantly and the corporate sector occupied a backseat in development efforts. In the course of time, failures of the State to put an end to poverty and to support economic advancement led to discontentment. The liberalization of the Indian economy in 1991 steered in a new globalized economic playground characterized by rapid rise in overall wealth as well as in social inequality.The widening gap between the most affluent Indians and those at the nethermost kindled innovation in efforts by the corporate class to begin addressing social issues. In the context of a dwindling State, an extensively globalized economy, and wide segregations in economic and social worlds, the landscape of Indian CSR is captivating to say the very least.

Time period	Economic currents	State role	Corporate CSR
1850-1914	Industrialisation	Colonial, extraction	Dynastic charity
1914-1947	Trade barriers for new industries	Colonial, exploitative	Support freedom struggle
1947-1960	Socialism, protectionism	Five year plans	Support new state; launch own rural initiatives
1960-1990	Heavy regulations	Licence raj; development failures	Corporate trusts
1991-2013	Liberalisation	Shrinking in production; expanding in social provision	Family trusts, private-public partnerships, NGO sponsorship
2013-present	Globalisation	Need to manage inequality; new reforms to liberalise further	Introduction of mandatory 2% rule

Figure 5.9 – History of CSR in India

Source (Deo, 2015)

It is evident from the above figure that the history of CSR in India is temporally relatable to the historical development of India. CSR has advanced in phases such as community engagement, socially accountable production and consumption, and socially accountable workforce-relations. Hence, the documented history of Corporate Social responsibility in India can be broadly grouped into four distinct phases.

The first chapter of modern CSR in India was fueled by the noble deeds of philanthropists and layman's charity. Influenced by family-centered values, traditions, indigenous culture and religion, it adapted in due time to the evolved needs of society after industrialization. The period up to roughly around 1850 saw the wealthy tycoons sharing their prosperity with the wider society by either building temples or other physical structures that provided shelter to people from all walks of life, especially the lower strata. They were known to release the provisions deposited in their granaries for the destitute and hungry during times of famine and shortage. With the onset of British colonial rule in 1850, their strategy towards CSR underwent a major shift.

In the pre-independence era, the forerunners of industrialization also buttressed the concept of CSR. The 1900s saw industrialist families like Tatas, Birla's, Godrej, Bajaj's and Singhania's endorse this notion by setting up altruistic foundations that served the society by imparting modern education and healthcare, and also set-up trusts for community development. On a different note, it is also to be marked that these efforts for social assistance were also motivated by political ambitions.

The second phase involves the beginning stages of the Indian freedom struggle when the business tycoons were called to display their true commitment to the nation. Mahatma Gandhi urged the influential industrialists to share part of their wealth towards the benefit of underprivileged sections of the society. The concept of trusteeship contributed by him aided with the country's socio-economic growth. He influenced the large-scale entrepreneurs and business houses to set-up trusts for research, educational and training institutes. These trusts also help to bring about social reforms like rural development, women empowerment and spread of education.

In the third phase from 1960-1980, CSR practice was widely influenced by the emergence of Public sector undertakings that also helped ensure a more even distribution of wealth. The administrative policies of industrial licensing, high taxes and restrictions on the private sector played their parts in giving rise to incorporate malpractices. This in turn led to enactment of legislation concerning corporate governance, labor and environmental matters. However, the PSUs in general were not very successful. Hence, there was a natural swing of expectations from the public to the private sector and their active involvement in the nation's socio-economic growth. In 1965, the academicians, politicians and businessmen of the country converged on a national workshop on CSR, where great emphasis was laid on social responsibility and transparency.

In the fourth phase from 1980 onwards, Indian companies infused CSR into a sustainable business strategy that centered around the notion of 'giving back to the society'. With globalization and economic liberalization in the 1990s, and partial easing of controls and licensing structures, there was a spike in the country's economic growth. This in turn led to the boosted momentum in industrial growth, enabling the companies to spend more towards social accountability. Thus, what began as charity is now widely understood and acknowledged as responsibility.

In current India, the Companies Act amended in December 2012 requires the corporate to spend 2% of their average net profits of the last three financial years towards CSR. Subject to qualifying conditions, this Act emphasizes on carrying ahead the agenda of Corporate Social Responsibility. (SoulAce, 2017)

Case Study

The corporate takeover in Kizhakkambalam

"An Indian garment manufacturing company called Kitex has taken over the administration of a small village called Kizhakkambalam by winning the local body elections held in November 2015. Mainstream political leaders and environmental activists feel that this can lead to a dangerous precedent because corporate body can have a hidden agenda in taking over the administration of political bodies. Former Indian MP Sebastian Paul says that "the company was at loggerheads with the former panchayat on issues like environmental pollution so we don't know what their vested interest is in taking over the panchayat. They also employ a big segment of the population there and also give out dole to locals. This model can be replicated...it is setting a dangerous precedent." Environmentalists like C. R. Neelakantan point out that the Kitex group has become active in social service only after they were involved in court cases connected with water and land pollution." (IPFS, 2019)

Legislation for CSR – India

CSR in its current state in India is a result of the 2013, Companies Act. India is in fact one of the few countries to have a dedicated legal Act pertaining to CSR. The Companies Act, 2013, which is a successor to The Companies Act, 1956, made CSR a compulsory provision. As per the notification dated 27.2.2014, CSR has been demarcated in a rather broad style in Schedule VII of Companies Act, 2013. The definition is exhaustive as it includes "those specific CSR activities listed in Schedule VII and other social programmers not listed in schedule VII, whose inclusion as a CSR activity is left to the company's discretion." under Section 135 of Schedule VII of the new Act, CSR contribution is mandatory for profit-making companies of all kinds, provided they satisfy any one or more of the below fiscal criteria

Net worth of the business should be ≥ INR 500 crores

Annual turnover of the company should be ≥ INR 1000 crores

Annual net profits of the company should be ≥ INR 5 crores.

Those companies meeting any of these are required to form a committee to implement its CSR mandate, with a minimum of three directors, one of whom is required to be an independent member.

The responsibilities/ powers of the committee will be

Formulation of a detailed action-plan to implement its legally mandated CSR activities that conform to Schedule VII of the Companies Act, 2013

Allocation and audit of funds for different CSR directions

Executive supervision of planned CSR activities

Release of annual report on all undertaken CSR activities during each financial year

Approve the form and format of CSR policies that are to be posted in public on the company's official website

The board of directors is legally bound to accept and execute any CSR suggestion put forward by the committee.

Assess on a regular basis the net profits made by the company and warrant that at least two percent of it is disbursed on CSR activities.

Warrant that local issues and regional concerns are given preference for inclusion into CSR activities

The specific details of funds utilized for CSR causes are to be included in the profit-loss report of the company which is released annually.

The CSR rules came into effect on 1st April 2014 and blankets subsidiary companies, holdings, and other foreign business entities that are involved in business activities in India. (Kumar, 2018).We

To Do Activity

Having understood the meaning of corporate sustainability design a series of activities that can be taken up at the institute level to ensure environmental protection at the institute level. Along with the set of activities also explain its implementation successfully.

learnt about the evolution of the Western-originated concept of CSR in India. We also learnt about ideas of present-day CSR as it was incorporated historically into the cultural fabric of India.

5.5 Future of CSR

This section talks about the future scope and opportunities for CSR in India.
A few fields where CSR actually has a lot of space to operate have been identified and discussed in this section.

Socially Stigmatized Industries
Socially stigmatized industries are those industries that hold a status of promoting offerings that are ideally harmful to a) people; b) planet (including other life forms) and c) certain socio-cultural aspect of human existence.

A Recent Case for Socially Stigmatized Firms is given Below
Indian Tobacco Company (ITC) Choupal ITC has come up with this e-choupal as a more effective supply chain that aims at delivering value to it is customers across the globe on a sustainable basis. The e-choupal initiative is through the agribusiness initiative and is one of the successful initiatives that we can talk about.

Megaproject Social Responsibility (MSR)
Mega projects may be defined as the large projects that are spread over long duration may be years or even decades. These include the projects such as construction of dams or roads and construction of flyovers and revamping the national highway or constructing a new national highway or renovating an existing road into a national highway.

The key concern in these projects is the clash between the policies and practices of stakeholders through the whole project lifecycle.

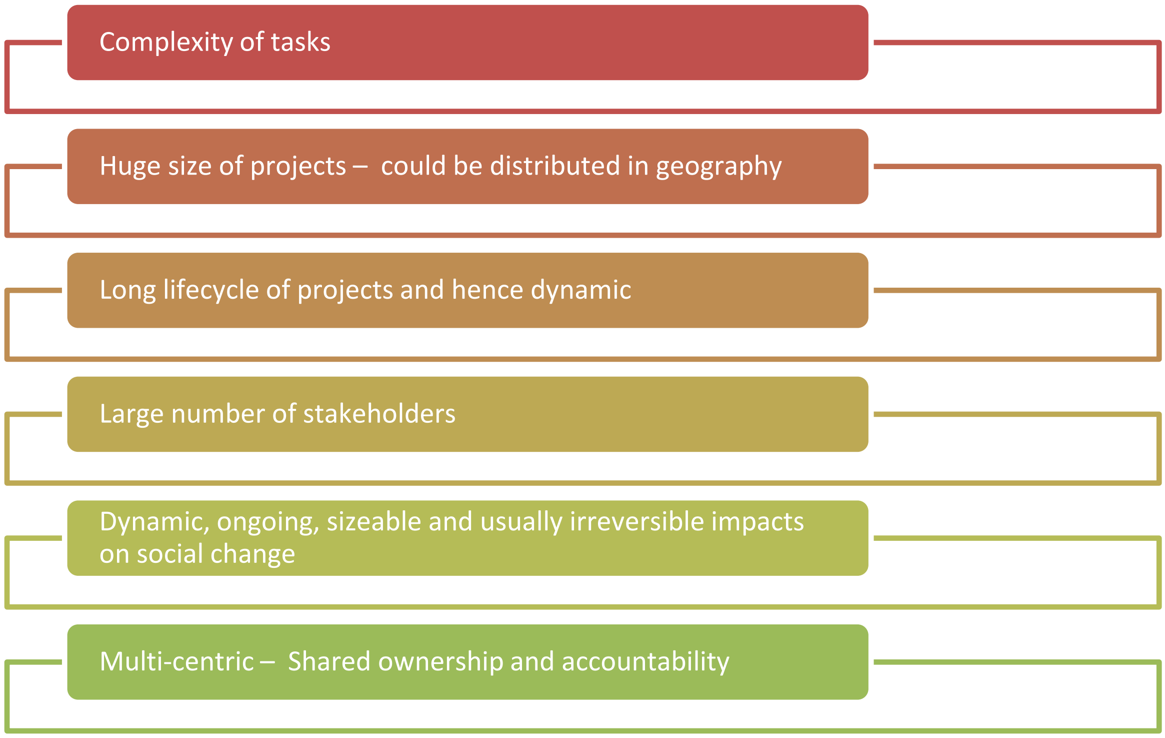

Figure 5.10 Scope of MSR

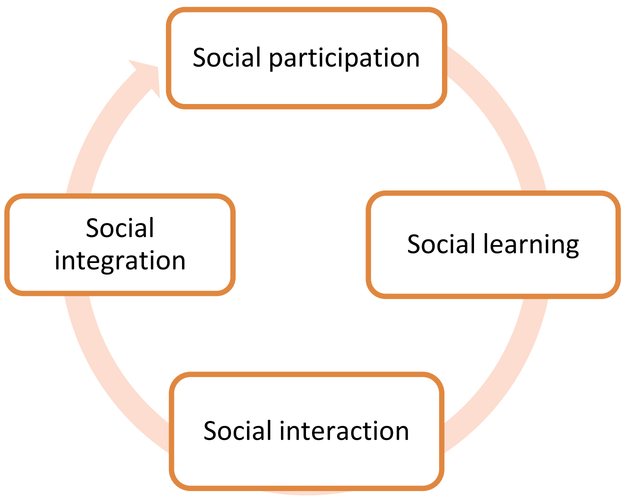

Figure 5.11 Societal Governance Process of MSR

Territorial Social Responsibility

Territorial social responsibility is a form of governance that represents an integration of CSR and sustainability-oriented strategies and are promoted by networks of local actors, which include, public and private, for and nonprofit (such as institutions, universities, chambers of commerce, trade union associations, businesses, foundations, banks, nonprofit organizations, professional order etc.) and all those who are oriented toward sustainable development.

Sustainopreneurship (Sustainable Entrepreneurship)

The concept of Sustainopreneurship has emerged from the earlier concept's social entrepreneurship and ecopreneurship, via sustainability entrepreneurship. The concept refers to the use of creative business that organize with the objective of solving problems pertaining to sustainability so as to create social and environmental sustainability.

Dimensions of Sustainopreneurship

find and/or create innovations to solve sustainability-related problems

get solutions to the market through creative organizing

adds sustainability value with respect for life support systems

Forestry and Nature

Environmental
- Promote sustainable forestry
- Promote use of renewable resources
- Strategies to reduce energy consumption
- Green strategies for waste-collection & management

Social
- Promote local public participation in environment and land management policies
- Invest in local communities
- Promote responsible consumption
- Engage with local communities

Figure 5.12 Scope of CSR in Forestry

Cyber CSR (cyber security)

Figure 5.13 Cyber CSR

(Source https//www.kisspng.com/png-computer-security-managed-security-service-informa-1587782/)

Heritage and Tourism

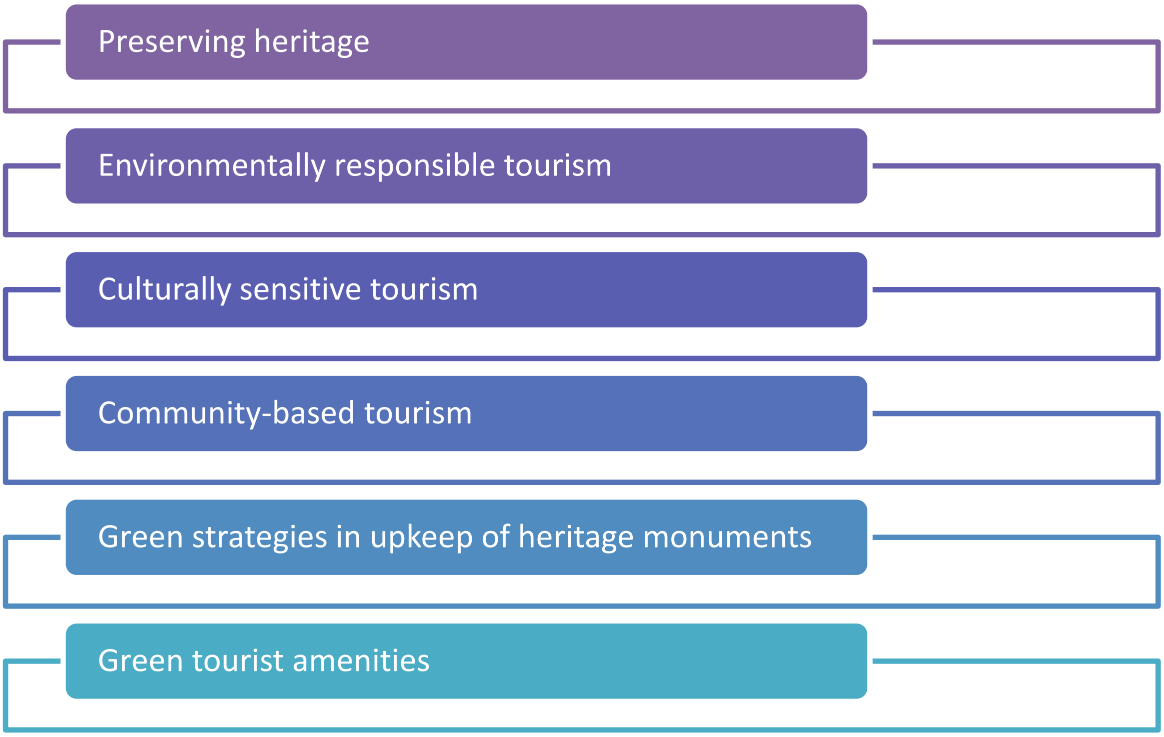

Figure 5.14 Scope of CSR in Heritage and Tourism Industry

This Section describes the challenges ahead for CSR initiatives in the present-day business environment. The unit talks about the various sectors in which CSR has a long way to go. Particularly, we discussed, Socially Stigmatized Industries, Megaproject Social Responsibility (MSR), Territorial Social Responsibility, Sustainopreneurship (sustainable entrepreneurship), Forestry and Nature, Cyber CSR (cyber security) and Heritage and Tourism.

To Do Activity

Do you think CSR has a positive future in today's rapidly changing world? Do the CSR efforts of the company are really beneficial for the society or mere completion of obligation at the part of the company. Support your answer with examples.

Model Questions

1. How would you describe the significance of CSR in relation to both the business and the local community as well as environment involved?
2. Briefly describe the evolutionary history of CSR in India. In your opinion, when did the idea of need for CSR emerge in India?
3. What according to you will be the next biggest arena for CSR to step into? Justify.
4. How do you think CSR can be deployed in the cyberworld?
5. What is CSIR? Compare the philosophy behind CSIR with that of CSR.

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Editors’ Profile

Dr W G Prasanna Kumar

Dr.W. G. Prasanna Kumar, PhD in Education with basic degree in Social Work and Master’s Degrees in Sociology, Public Administration and Political Science has professional education in Environmental Economics, Public Relations, Communication and Training and Development. Presently Chairman, Mahatma Gandhi National Council of Rural Education (MGNCRE) under the Ministry of Human Resource Development, in Government of India strives to promote resilient rural India through Higher Education interventions. The national initiative of reviving Mahatma Gandhi’s ideas of NaiTalim, spearheaded by Dr. W G Prasanna Kumar, has met unprecedented success at both national and state levels. The primary objective of this initiative is to promote Gandhiji’s ideas on Experiential Learning, NaiTalim, Work Education and Community Engagement, and mainstreaming them in School Education and Teacher Education Curriculum & Pedagogy. As Professor and Head Centre for Climate Education and Disaster Management in Dr MCR HRD Institute, conducted several capacity building and action research programmes in climate education, disaster management and crowd management. He has handled many regional, national and international environmental education programmes and events including UN CoP11 to Convention on Biological Diversity and Media Information Management on Environmental Issues.

He was Director in National Green Corps in the State Government for over 11 years and Senior Social Scientist in State Pollution Control Board for 6 years. Conducted various curriculum and non-curriculum related training programmes in environmental education. He was a Resource Person for AP Judicial Academy, AP Police Academy, AP Forest Academy, EPTRI, Commissionerate of Higher Education and Intermediate Education, State Council for Educational Research and Training and National Council for Educational Research and Training New Delhi, CCRT, Bharathiya Vidyapeet University Pune, CPR Environmental Education Centre Chennai and Centre for Environment Education Ahmedabad. Dr W G Prasanna Kumar was trained in Community Consultation for Developmental Projects in EPA Victoria Australia in 1997 trained as State Chief Information Officer by IIM Ahmedabad and MCRHRDI Government of Andhra Pradesh in 2004 and trained in Environmental Education and Waste Management Technique by JICA, Japan in 2011.

He was awarded Best State Nodal Officer of National Green Corps Award from Centre for Science and Environment, New Delhi, 2008, Jal Mithra Award from Earth Watch Institute of India and Water Aid New Delhi, 2014 and Certificate of Commendation for the services in UN Conference of Parties to Convention for Biodiversity conducted at Hyderabad from 1-20 October 2012 by the Government of Andhra Pradesh 2012.

Dr K N Rekha

Dr K N Rekha, is a PhD Graduate from IIT Madras. She has 13 years of experience in training and education Industry. She works at Mahatma Gandhi National Council of Rural Education (MGNCRE), Hdyerabad as Academic Consutlant. She is involved in curriculum development on Rural Management and Waste Management. Prior to this, she worked as a Researcher at Indian School of Business (ISB), Hyderabad, and had a short stint at Centre for Organization Development (COD), Hyderabad. She has co-authored a book on “Introduction to Mentoring”, book chapters, Peer reviewed research papers, book reviews, casestudy, and caselets in the area of HR/OB. She also presented papers in various national and international conferences. Her research areas include Mentoring, Leadership, Change Management, Coaching, 360 Degree Feedback appraisal, etc. She was also invited as a guest speaker at proiminent institutions like IIT Hyderabad.

Subject Authors

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Dr. Shahaida P is a Professor and the Area Chairperson-Marketing in the Centre for Management Studies, ASCI, Hyderabad since December 2011. She holds a PhD in the Services Marketing Area from University of Mysore. She has an M. Phil degree in Management from Alagappa University. She is a Master in Business Administration (Marketing) from Kuvempu University. She holds a Graduate degree in Pharmacy, Government College of Pharmacy, Bangalore University. She has 19 years of industry, teaching, training, research and consulting experience. She has served as a faculty in reputed management institutes in Bangalore and Hyderabad. Her core areas in teaching are brand management, services marketing, marketing research, sales management, strategic marketing, tourism marketing and corporate social responsibility. She has worked in the industry with multinational companies in the areas of sales, sales training and product management. She has published research papers and case studies in many national and international journals in the areas of services marketing, branding, retail etc including South Asian Journal of Management, International Journal of Commerce and Management and International Journal of Mobile Marketing.

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Prof. Tatikonda Neelakantam

Prof Tatikonda Neelakantam is working as a Professor and Principal at Suprabhath PG College, Hyderabad. He worked at UNDP for two years and visited Dubai, Jeddah, Riyadh and East Africa. He is Advisory Member for BVIT Management Consultants, Dubai. He is the Founder Secretary Global Association for Continuum of Business Management (GACBM), Editor in Chief, ITIHAS the journal of Indian Management and Editorial Board member for 3 International Journals. He has 20 years of experience in public relations, marketing and teaching, including two years of experience in marketing and product development management. He worked as a Product Development Manager in a reputed pharmaceutical company in Bangalore and developed two brands and launched more than five products directly in various states in South India. He worked as a Business Manager

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Dr. Pulidindi Venugopal is the Full Professor in Marketing, from VIT University. He is a passionate and energetic Management Teacher and Researcher with an overwhelming zeal to massively contribute to the body of Business Management. During his 18 years of rich experience in teaching and research of Management he published more than 50 research articles in the areas of marketing and human resource in peer reviewed, SCOPUS Indexed and SCI Indexed Journals. He also presented more than 60 papers in national and international conferences of repute and has been an Editorial Board Member in international journals. He has published case studies in IIMA and Case Centre, UK. He produced Six PhDs and guided Five PhD students. He has conducted training programmes for management faculty members and corporate executives in the areas of marketing research by using various statistical softwares including SPSS. He completed FDP in Management from Indian Institute of Management, Ahmedabad in the year 2014. He received Best Faculty Award from Nehru Group of Institutions in the year 2017 and best paper awards from IC-TIME 2018 and ICSBMR – 2018. He completed two funded projects worth Rs.28 lakhs from ICSSR: one is “Crime against woman, punishment goals and socio-economic welfare of victims: social order and moderating effect of public protest”; and second one is “Stress and coping styles of women entrepreneurs in Tamil Nadu”. He also received Active Researcher award consistently for more than eight years from VIT University for his research contributions. He also completed ‘Global Innovations Experts Program’ in the year 2017, from Shanghai, China.

Prof. Prakash Satyavageeswaran

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Prof. D.V.R. Seshadri

Until joining ISB as Clinical Full Professor of Business in the Marketing Area in July 2016, Prof. D.V.R. Seshadri, taught in various IIMs (particularly at Bangalore, Ahmedabad and more recently at Udaipur since 2012). For 15 years prior to 2000, he worked in a variety of companies (public sector, family business and entrepreneurial start-ups, the last ten of them as CEO) spanning a variety of industries (petroleum refining & petro-chemicals, bulk drugs, active pharmaceutical ingredients, precision manufacturing and software). His areas of interest among others include: Strategy, B2B Marketing, Innovation; Entrepreneurship & Intrapreneurship and Leadership. He is actively involved with several NGOs such as Aravind Eye Care Systems, Madurai and DHAN Foundation, Madurai in addition to engagement with several top corporates such as companies of the Tata Group and L&T. He has been engaged in teaching/consulting capacity with over 100 large corporates, both India-based and foreign MNCs. He has taught a variety of courses / programs in MBA, executive MBA, long duration programs in public policy and short duration executive education programs. Courses that he has taught include: Strategy Formulation & Implementation; Business-to-business Market Management; Reinventing through Entrepreneurial / Intrapreneurial Leadership; Inspired Leadership through Personal Mastery; and Reinventing the Government. He has co-authored several books - 'Innovation Management,' with ShlomoMaital, Sage India in 2007; 'Global Risk / Global Opportunity,' with ShlomoMaital, Sage India, in June 2010; the Indian adaptation of 'Business Market Management (B2B): Understanding, Creating and Delivering Value,' with James Anderson, James Narus and Das Narayandas, Pearson Publishing, in June 2010; and 'Smartonomics for the Global Manager: Simple, Powerful Macroeconomic Tools For Success in an Uncertain World' with ShlomoMaital, Sage India, 2016. He has developed over hundred case studies and authored several application-oriented journal articles in his areas of interest. The most recent book that he co-authored is titled: 'Nurturing Global Leaders of Tomorrow: An Inclusive Learning Model (SKMSVM) Shows the Way' was launched recently in Chennai. He works closely with several companies, providing them training / consulting services in his areas of expertise.

Sri M.P. Vasimalai

Founder and Executive Director of DHAN Foundation, hails from a modest farming family in Madurai district, Tamil Nadu, India. Sri Vasimalai is a post-graduate in Agricultural Science and subsequently obtained his MBA from the Indian Institute of Management Ahmedabad (IIMA), a premier management institution in India. Sri Vasimalai was one of the founding leaders of PRADAN, a professional NGO supported and promoted in 1983 by the Ford Foundation to professionalize development work. The Executive Director of PRADAN for six years, "Vasi," as Sri Vasimalai is widely known, was instrumental in initiating development experiments across India. To scale up the proven pilots and with the mission of building people and institutions for poverty reduction, he founded DHAN Foundation in 1997 as a spin-off, in collaboration with 60 professionals. Today there are 400 professionals striving hard at the grassroots level to bring changes in the lives of about 1.5 million poor families in 13 Indian states, of which more than 70 percent are women in low-income households, roughly one-fourth of whom reside in urban slums. Sri Vasimalai was instrumental in designing the Community Centered Water Conservation and Development and Community Banking for Women Empowerment programs and promoted them as scalable and sustainable models for poverty reduction that have since been replicated by several government and non-government organizations across India. Sri Vasimalai represents DHAN in the higher-level policymaking bodies of both central and state government where he has the opportunity to advise on the basis of his extensive ground experience in the fields of microfinance, water conservation, agricultural development and poverty alleviation.

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