

REVIVAL AND SUSTAINABILITY STRATEGIES FOR ARUDHA HANDICRAFT – A CASE STUDY

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Abstract

To be successful and sustainable in business, both profitability and growth are important and necessary for a company to survive. The study attempts to show how sales and profit plays a pivotal role in any organization. Once the sales are done it does not stop there. It is important to deliver the product on time. It is also important to communicate on a regular basis with the customer after the delivery of the product. Service also plays an indispensable role. Ignoring the interested customers may also lead to a loss for a business. "Organizations are expected to fulfil certain responsibilities, just as citizens are; these responsibilities can be classified into four; namely: economic, legal, ethical, and philanthropic" (Carroll, 1998). Being a non-profit organization, it is crucial to protect the capital that is invested. It is necessary to determine and focus on profitability at the beginning, of the company. Without adequate capital or the financial resources used to sustain and run a company, business failure is imminent. Profit can be seen as an essential component of a successful and valuable business. To achieve the initial profitability, it is essential to concentrate on sales and growth of market. Growth is crucial to long-term survival. Identifying growth opportunities should become the next important item on any company's goal list after a company moves beyond the start-up phase. In this firm growth is measured by looking at how customers are treated.

Keywords: Sales, Profit Margin, Customer Relationship, Non-profit Organization.

INTRODUCTION TO ARUDHA HANDICRAFTS

'Arudha Handicrafts', a firm involved in selling of turbans and shawls to god's idols. The firm is situated in Hubballi, Karnataka. It was founded by Mr. Manohar in 2003. Mr. Manohar's family is basically from Bangalore. His father was a landlord in Bangalore. He moved to Hubballi with his family in his late 50's. Mr. Manohar spent his childhood at Hubballi. He completed his education in Hubballi. Being a post graduate student, he had an opportunity to work outside the city. But due to some litigation of property he had to spend years in resolving the case. By the time the case was solved it was too late for him to choose his career path. Mr. Manohar was an artistic person since childhood. So, he thought of turning his hobby into a profession. "During the career phase of an individual, there comes a time when he/she is encountered with a problem of career paths slowing down pace or reaching a point where the individual stagnates in his job/profession. This may be due to reasons beyond his control (e.g.: recession in the economy). At this point, a hobby or any amateur pursuits can get handy for an individual as a starting point for a new career" (Sandeep Hegde).

He got an idea of preparing turbans. Another reason to start this particular business was that he was staying close to the temple. He knew that this would create a great network for his business. At start, he knew few shops from where he could buy all the raw materials required to prepare the product. His mother had a land which she had got from her father, the place where he started his business initially. His parents helped him with the initial capital required to start the business.

Initially it seemed tough for a single person to set up a business on his own without any family business background. It was very difficult to find people from outside who were equally interested as Mr. Manohar was. This business needs ample of patience which he did not find in anyone who initially came to help him. As it was typically a family-owned business his family members helped him in preparing the turbans. His wife, his elder daughter and his in laws helped him. They all were engaged in preparing the turbans. Later the number increased to 6 family members.

At start, he got the raw materials from Hubballi. As the firm grew, the customers demanded variety in the product. He got to know few places in pune, Hyderabad where he could get variety of items required. Once in 6 months he visits to those places to get the raw materials.

The initial capital he got from his parents was 20,000. Though it seems less now, at that time it was a lumpsum amount. The main task for Mr. Manohar was to protect the capital as it was a startup. Slowly the firm experienced a growth in sales which helped him not to invest extra capital. All that he got out of sales was considered profit. Some amount of profit was used to get the raw materials required to prepare the turbans. *"Social capital has played a very crucial role in strengthening the goodwill of the firm"* (Saptarshi M and Sejal Bhurat). This way the whole process was circulated, and he has been following the same till date. Though the capital required for the business is less even now, the profit earned from the business has been constantly increasing.

The customers got to know about the firm. The devotes who used to visit temple were made aware of the products available at the firm. Gradually the customers started to grow and by this time, Mr. Manohar was very well aware of the business strategies and so he got the products delivered on time. He knew what the customers exactly wanted. According to the customer's choice the product was prepared. The main objective of the firm is to deliver the products on time without compromising on the quality of the product. This gained a lot of trust among customers. *"Customer loyalty makes a plat form where the customer ready to stay maximum time with the organization and cause for long term benefit. Loyalty is basically a name of inspiration with the company products or services"* (Muhammad Zaman Sarwar, Kashif Shafique Abbasi, Saleem Pervaiz). He was a social person which also helped his firm in getting many customers. Word of mouth played an important role. Everyone started to recognize the firm. Strong customer base strengthened the goodwill of the firm. *"Goodwill was established by building trust among the customers and satisfying them with the quality that was promised by him and the time taken for preparing it was accurate with the time that had been requested by the customer"* (Saptarshi M and Amulya Manohar). Accordingly, the revenue also noticed an increasing trend. Customers were not only from local area but also from goa, Maharashtra, and few places in Karnataka. Recently he also created a Facebook page where he uploads the pictures of the new products available. This is how he advertises the products.

1. How important is sales for your organization?

Sales play a key role in the building of loyalty and trust between customer and business. As Arudha Handicrafts is involved in sales of turbans since 2003, sales play a major role for the organization. The interaction that happens between sales build trust among the customer and help in network building. A great storefront, best quality product is great, but without sales, they are merely an expense that leads to an organization's losses.

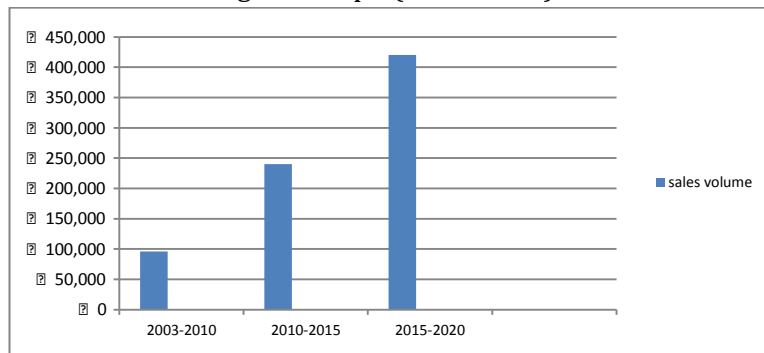
2. How was the projection of sales from 2003-2010, 2011-2015, and 2016-2020?

From 2003 till February 2020, the sales have seen an increasing trend. Due to pandemic the sales had gone down by 15% for 2/3 months. But then it again showed an upward trend.

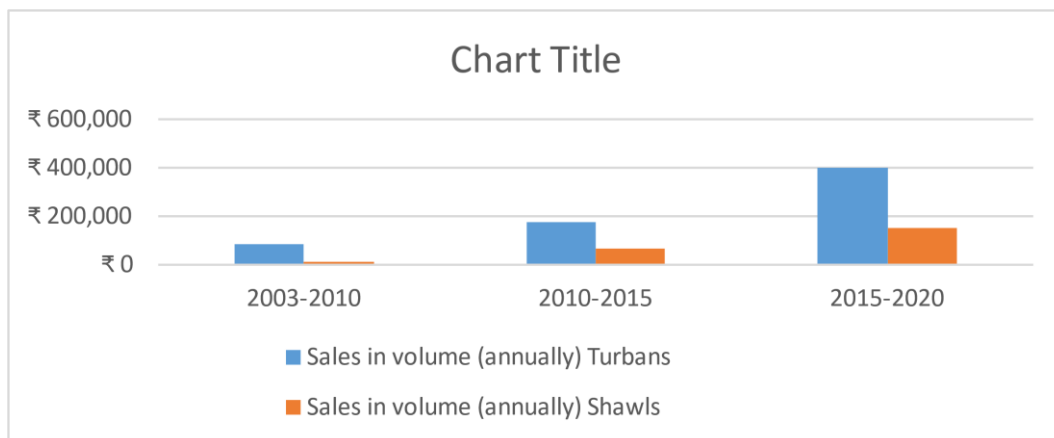
A) Projection / Forecasting of sale

Year	Sales in volume(annually)
2003-2010	₹96,000
2010-2015	₹2,40,000
2015-2020	₹5,50,000

Overall representation of Sales using Bar Graph (2003-2020)



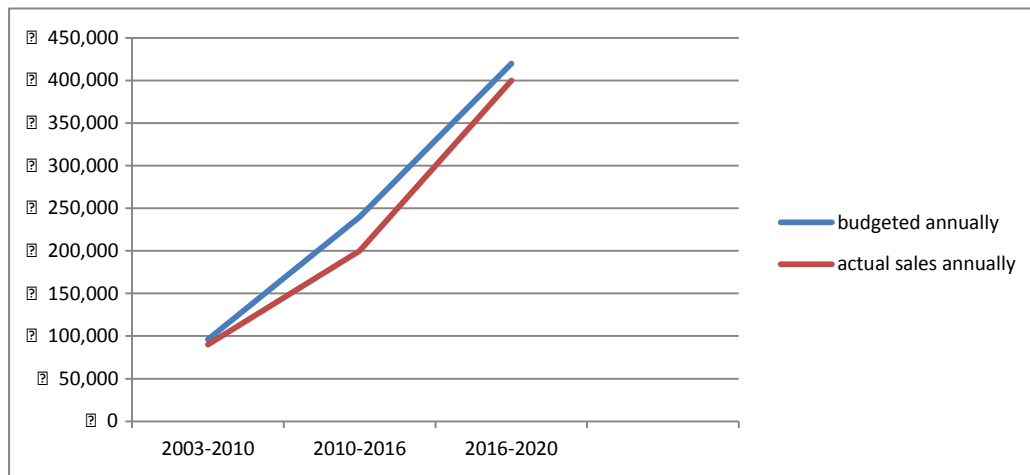
Year	Sales in volume (annually)	
	Turbans	Shawls
2003-2010	₹85,000	₹11,000
2010-2015	₹1,75,000	₹65,000
2015-2020	₹4,00,000	₹1,50,000



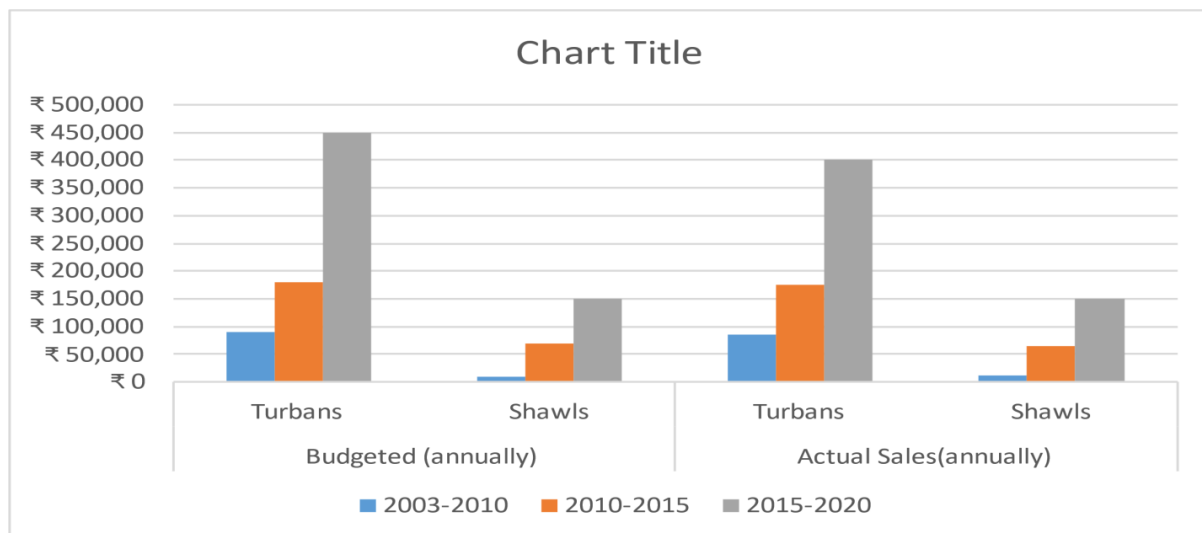
B) How was the projection of sales from 2003-2010, 2011-2015, and 2016-2020?
From the period of 2003 till date, sales have always been following an upward trend.
The following table shows the increase in sales (Nearby figures) in value and percentage.

Year	Budgeted(annually)	sales(annually)	Percentage of growth in actual sales (%)
2003-2010	₹1,00,000	₹96,000	-
2010-2015	₹2,50,000	₹2,40,000	60
2015-2020	₹6,00,000	₹5,50,000	56

Comparison between Budgeted and Actual Sales from the year 2003-2020



Year	Budgeted (annually)		Actual Sales(annually)		Percentage of growth in actual sales (%)	
	Turbans	Shawls	Turbans	Shawls	Turbans	Shawls
2003-2010	₹90,000	₹10,000	₹85,000	₹11,000	-	-
2010-2015	₹1,80,000	₹70,000	₹1,75,000	₹65,000	51	83
2015-2020	₹4,50,000	₹1,50,000	₹4,00,000	₹1,50,000	56	57

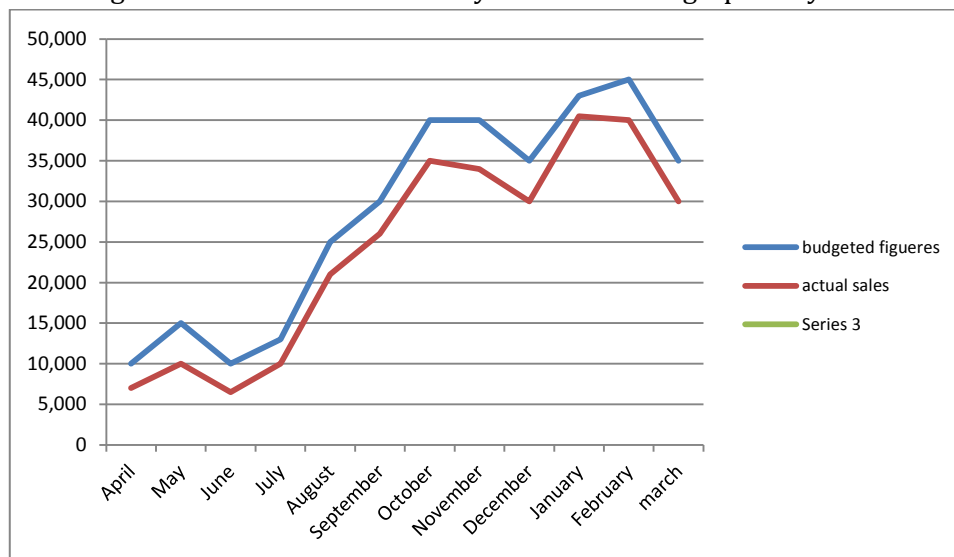


From the above table, we can observe that there is not much difference between estimated budget and actual sales that happened. Mr. Manohar knew his customers and their demand very well. Also, this business has seasonal demand. So, he knew when the sales would rapidly increase. Accordingly, he prepared the products.

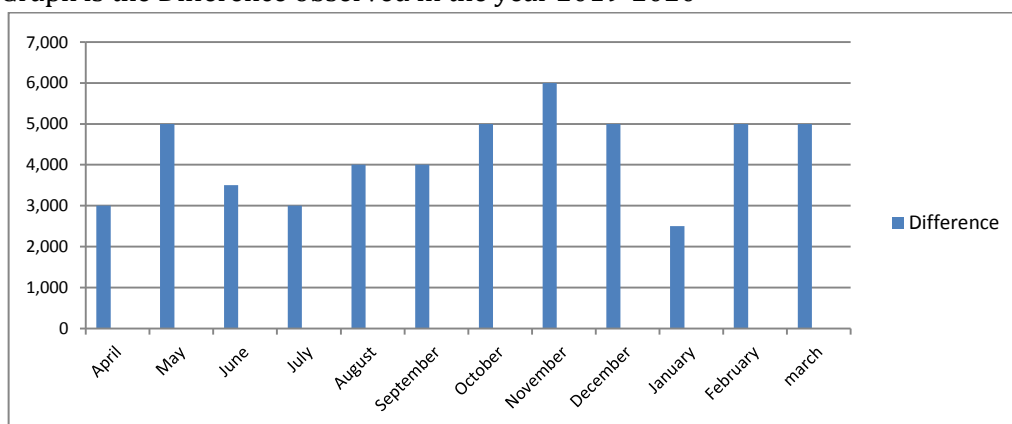
C) Comparison of Monthly sales in the year 2019-2020.

Month	Budgeted figure	Actual sales(approx.)	Difference
April	₹30,000	₹25,000	₹5,000
May	₹38,000	₹35,000	₹3,000
June	₹35,000	₹30,000	₹5,000
July	₹40,000	₹38,000	₹2,000
August	₹45,000	₹42,000	₹3,000
September	₹30,000	₹26,000	₹4,000
October	₹40,000	₹35,000	₹5,000
November	₹40,000	₹34,000	₹6,000
December	₹35,000	₹30,000	₹5,000
January	₹43,000	₹40,500	₹2,500
February	₹40,000	₹38,000	₹2,000
march	₹45,000	₹42,000	₹3,000

Estimation of Budgeted and Actual Sales in the year 2019-2020 graphically

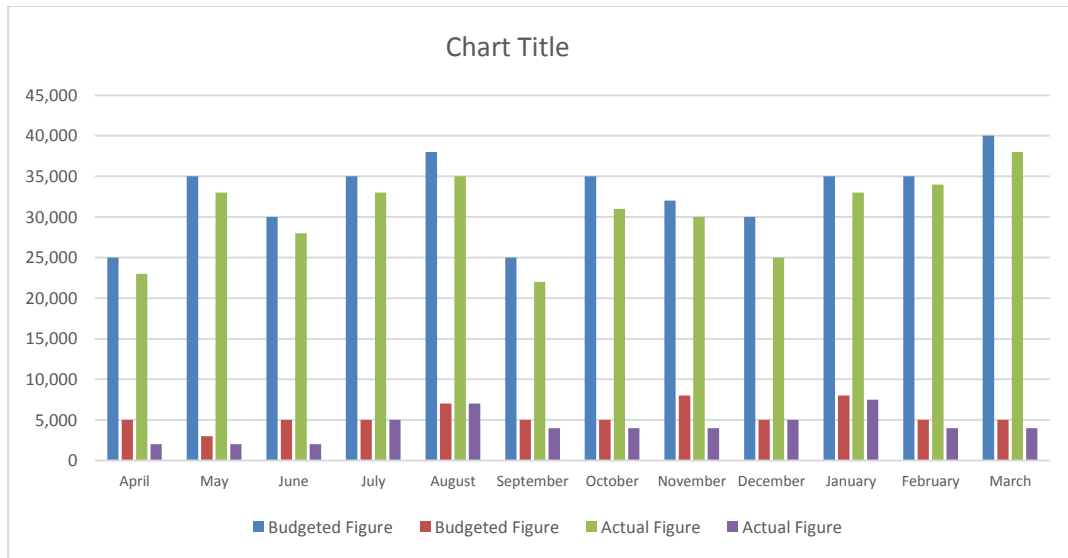


Below Graph is the Difference observed in the year 2019-2020



Months	Budgeted Figure		Actual Figure		Difference	
	Turbans	Shawls	Turbans	Shawls	Turbans	Shawls
April	25,000	5,000	23,000	2,000	2,000	3,000
May	35,000	3,000	33,000	2,000	2,000	1,000
June	30,000	5,000	28,000	2,000	2,000	3,000
July	35,000	5,000	33,000	5,000	2,000	0

August	38,000	7,000	35,000	7,000	3,000	0
September	25,000	5,000	22,000	4,000	3,000	1,000
October	35,000	5,000	31,000	4,000	4,000	1,000
November	32,000	8,000	30,000	4,000	2,000	4,000
December	30,000	5,000	25,000	5,000	5,000	0
January	35,000	8,000	33,000	7,500	2,000	500
February	35,000	5,000	34,000	4,000	1,000	1,000
March	40,000	5,000	38,000	4,000	2,000	1,000



The sales during the initial phase of the year 2019 followed an upward trend. In December, the sales had gone down as the demand during that particular month is quite less. In the month January 2020 the sales experienced a growth. The owner was not aware about the pandemic. Also, the customers were unaware. This is the reason for the sales to go down from March 2020 onwards.

1. How is the future projection of sales and major hurdles to remain at the same level?

If the firm is not concerned with maximizing sales, the company may not be as profitable as one hope it would be. When a business can efficiently scale sales up without significantly increasing the costs per sale, then the business grows not only in size, but also in margin and profitability. The future projection of sales is predicted to increase by 40%-50%. Even though there is not much competition to such industry the major hurdles is age factor and health issue because of which is it difficult to fulfill the present demand.

2. Important of profit margin for your company?

Profit is what the organization gets after all the expenses. ***"The first three criteria that we included have been identified as crucial to entrepreneurship: profit, growth and innovation"***(Hitt, Ireland, Camp & Sexton 2001). In regard to cost and profit, this business is based on least cost and high profit. As it is nonprofit organization, the main aim is to preserve the capital. ***"The primary sources of revenue for nonprofit agencies are (1) private contributions, in the form of individual donations, corporate gifts, and foundation grants; (2) public support (government grants); and (3) private sector payments (commercial activity) in the form of user fees, membership fees, government contracts, and the sale of products and service"***. (Matthew M. Hodge, Ronald F. Piccolo). Since 2003 till date the profit margin is has

been following a forward trend. However, the raw materials required to prepare the turbans are of less cost which brings huge profit to the firm. Also, there is no employment cost and expansion cost as well, whatever is obtained after the sale of the product is considered as profit.

3. What was the thought process of keeping the profit margin low?

The main reason to keep the profit margin low is to keep the customer base strong. As the business is purely based on word of mouth, it was important to build a strong bond between the customers. ***“Cause-related marketing is also an important variable that illustrate good image of organization in the mind of customers. It has found that customer has an extra element of sympathy and better perception towards the organization that works for betterment of society and good causes” (Farache, Perks, Wanderley & Filho, 2008).*** Once the loyalty was built the firm focused on increasing the profit without compromising on the quality of the product. ***“The emergence of social purpose organizations has made a significant contribution to the economy and societal well-being” (Bhattarai, Kwong, & Tasavori, 2019; Muñoz & Kimmitt, 2019).***

4. Estimation of employees, capital, sales, and profit margin

Particulars	2003-2010	2010-2015	2020
Employees	3	4	6
Capital(monthly)	₹3,000	₹5,000	₹7,000
Sales(monthly)	₹ 7,000	₹15,000	₹30,000
Profit Margin	25%	45%	70%

5. Future plans of Arudha Handicrafts

In regard to future plans, the firm wants to diversify into various such products by utilizing the profits efficiently. As of now Mr. Manohar has not planned to expand the business, the major hurdle is the age factor. Another reason is interest created in the minds of next generation. It is not evident that everyone should be equally interested in such kind of business. Any business should not be forcibly carried out. As it is confined to only one family, its arduous to choose an external member of the family. Mr. Manohar was bond to family pressure due to which he turned his hobby into a profession. It is not obvious that the next generation also faces the same consequences. So, the firm is mostly focused maintaining its loyal customers by providing the best quality products to its customers and as promised to deliver the products on time. ***“Basically, Organizational success was much easier when its customer is loyal and that loyalty gives the benefit of retention, in form of continuous attachment of the customer with the organization” (Kandampully & Suhartanto, 2000).***

6. Message towards young entrepreneurs towards similar business.

The business requires more concentration, patience, creativity, and one should adapt to new techniques, new designs. The owner of the firm believes that there is no end for anything in the world. His message towards the young generation is to find something creative in whatever they do. In spite of sitting idle, one can turn his hobby into profession which involves least investment which will further help him to lead a comfortable life. ***“Pursuing a hobby is one ritual every individual is habituated***

during their early days of childhood and for many later into adulthood as well. Very few individuals would spend time in understanding the significance of pursuing a hobby with respect to one's personality and its implications on a professional career" (Sandeep Hegde, 2006).

PORTER'S FIVE FORCE MODEL:

1) Bargaining Power of Suppliers – Medium

The bargaining power of suppliers refers to how much power to negotiate price and other terms your suppliers have. In this case, the suppliers can bargain up to certain extent as the raw materials required for preparing the turbans can be bought elsewhere even though the product is rare in the market exception to few raw materials which are not sold everywhere. The suppliers for few unique cloth materials, lace etc. which are considered as a very specific and rare ingredients have quite a bit.

2) Bargaining Power of Buyers – Low

The bargaining power of buyers refers to essentially the same thing as the bargaining power of suppliers, but as it applies to your customers. If the product that you sell is a rare product that they cannot get from anyone else or they could not easily find elsewhere, the bargaining power of buyers in such case is low. Arudha Handicrafts sells products which are handmade, unique where they are difficult to get the same product or service elsewhere. Therefore, the buyers will have to purchase the product at the reasonable price the owner is willing to sell.

3) Threat of New Entrants – Low

The threat of new entrants refers to the barriers of entry into the industry and whether they are strong enough to prevent a lot of new companies from jumping in to compete or whether they are particularly weak, and the market could easily be flooded with a bunch of new competitors. As Arudha Handicraft is engaged in unique targeting of products and services to customer needs which is why it has less threat of new entries to the market. The higher the difference, the greater the barrier to entry. The company's self-built distribution channels; good relationship with the customer and reputation, brand, quality has decreased the threat of new entrants.

4) The Threat of Substitute Products – Low

The threat of substitute products refers to the ability of a customer to decide to use a different product instead of yours to solve the same problem or meet the same need. The threat of substitute products is often overlooked by new entrepreneurs who will come in and say they have a brand-new product with no competition whatsoever. Usually, increased selling price and profitability of exciting products will be limited due to the existence of alternatives which can be easily available and accepted by the customers. As Arudha Handicraft is a nonprofit firm, they sell all the products at reasonable price by providing best quality product without increasing the cost extensively. Also there seems to be low/nil intrusion of alternatives.

5) Competitive Rivalry – Low

Enterprises in most industries are closely linked to each other's interests. As part of their overall strategy, their goal is to make their own companies more competitive than their competitors. There are conflicts and confrontations, often manifested in prices, advertising, product introductions, and after-sales services.

ENVIRONMENTAL SCANNING

• EXTERNAL FACTORS

An organization with a clear sense of mission, for example, can explain itself better to the world and can align itself with the positive elements in each area.

- I. Economy - In a bad economy, even a well-run business may not be able to survive. If customers lose their jobs or take jobs that can barely support them, they will spend less on the products and also high interest rates on credit cards can discourage customers from spending. You cannot have control over the economic factors but understanding it can help you spot threats and opportunities. Due to economic factor like inflation increase the cost of raw material which in turn increases the price of the product. Normal people cannot afford to buy products and it affects the profitability of the firm.
- II. Competition from other Business - Unless your company is unique, you will have to deal with competition. When you start your company, you fight against established, more experienced businesses in the same industry. The products life cycle plays a significant role. The firm should know when to enter the market. Once the firm is established the firm should focus on withstanding the competition. The firm has to eventually have to face newer firms that try to slice away your customers. Competition can be either boon or bane to the firm.
- III. Customers and Suppliers - Next to your employees, your customers and suppliers may be the most important people you deal with. Suppliers have a huge impact on your costs. The clout of any given supplier depends on scarcity: If you cannot buy anywhere else, your negotiating room is limited. The power of your customers depends on how fierce the competition for their dollars is, how good your products are, and whether your advertising makes customers want to buy from you, among other things.
- IV. Technology – R&D For any industry or firm to survive the competition on the national and international markets, the product and production process have to be competitive. It mainly depends on the R & D in the particular firm. Economies of scale and new markets can be obtained through R & D.
- V. Sociocultural – culture refers to the collective beliefs, value system and processes of a company. It gives company a unique entity. Every company has a set of values and goals that help to define what the business is all about.

• INTERNAL FACTORS

Mission and Vision

Why does an organization exist? What is its purpose? Answering these fundamental questions describes an organization's mission. A successful organization has a clear sense of its ultimate purpose and knows how it intends to fulfill that purpose.

- I. Employees - Unless you are a one-person show, your employees are a major part of your company's internal environment. Your employees have to be good at their jobs, whether it is writing code or selling products to strangers. Managers have to be good at handling lower-level employees and overseeing other parts of the internal environment. Even if everyone's capable and talented, internal politics and conflicts can wreck a good company.
- II. Capital and Resources - Even in a great economy, lack of money can determine

whether your company survives or dies. When your cash resources are too limited, it affects the number of people you can hire, the quality of your equipment, and the amount of advertising you can buy. If you are flush with cash, you have a lot more flexibility to grow and expand your business or endure an economic downturn.

- III. Culture – It refers to how well a firm values its customer.
- IV. Communication - Successful organizations thrive on robust communication practices, where teams and team leaders communicate freely and often to improve results. This two-way communication up and down the hierarchical structure extends from top to bottom. Organizations with communication deficiencies often have rigid leadership structures that destroy trust.

INTERNAL FACTOR ANALYSIS SUMMARY (IFAS)

Internal Factors	Weight	Rating	Weighted Score
Strengths			
Higher level of customer satisfaction	0.15	3	0.45
Unique brand and best quality products	0.10	4	0.40
Tangible assets	0.25	3	0.75
Goodwill	0.05	4	0.20
Weakness			
Age factor	0.15	4	0.60
Lack of technology	0.05	2	0.10
No distribution channels, hence limited area access	0.10	3	0.30
No hierarchical channel to take the business forward.	0.15	2	0.30
Total	1.0		3.10

EXTERNAL FACTOR ANALYSIS SUMMARY (EFAS)

External Factors	Weight	Rating	Weighted Score
Opportunities			
Emerging need for products & services	0.15	4	0.60
R & D	0.10	3	0.30
Lack of competition	0.25	2	0.50
Huge demand	0.05	4	0.20
Threats			
Changing customer's attitude towards the products.	0.15	2	0.30
Political factors	0.05	3	0.15
Reduce productivity during rainy season.	0.10	4	0.40
Economy	0.15	4	0.60
Total	1.0		3.05

STRATEGIC FACTOR ANALYSIS SUMMARY (SFAS)

	STRATEGIC FACTORS	WEIGHT	RATING	WEIGHTED SCORE	DURATION		
					SHORT	INTERMEDIATE	LONG
S1	Customer Satisfaction	0.15	4	0.60			*
S2	Unique Products	0.10	4	0.40			*
W1	Lack of Technology	0.25	3	0.75	*		*
W2	No hierarchical channel	0.05	2	0.10			
O1	Lack of Competition	0.15	3	0.45		*	*
O2	Huge Demand	0.05	4	0.20			
T1	Change in customer attitude.	0.10	4	0.40	*	*	
T2	Economy	0.15	5	0.75			
	Total	1.0		3.65			

CONCLUSION

The family business has been essential factor of our global economy. The majority of firms are family owned, and they account for a significant growth of most countries' gross domestic product. Managing conflict effectively in the process of succession is crucial, accepting each other's role to preserve the impact that the family enterprise has on our economy as well as the families themselves. The study focus on the how an individual turn his hobby into a business. In this process one needs to be more patient, dedicated, managing the business as well as the family. Design interventions have a very important role in every step of the process in creation of the craft. They should focus on the identity of a craft, its social and cultural relevance to its region, and the processes and materials involved, to incorporate the interventions in the right situations, with efficient expected outcomes and reasoning's. The organization should prominently concentrate more on the customer's satisfaction rather than just focusing on the profits. This study shows how the customers become important part of the firm's growth.

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