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Acumen and IKEA Social Entrepreneurship East Africa Accelerator



CASE STUDY

Industree

*Supporting Rural Artisans
through Global Partnerships*

Social entrepreneurship
together with



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Industree



IMAGE CREDIT: INTERAKKA SYSTEMS B.V.

Globally, the handicraft sector forms the second largest unorganized employment sector in India, second only to agriculture.¹ Yet, over 20 million rural artisans in India today largely remain poor.²

Decades ago when Neelam Chhiber was training as a design student at the National Institute of Design, she became inspired by the traditional methods and designs employed by many of India's rural artisans. However, she recognized that as rural

1. [A Study on Financial Analysis of Rural Artisans in India: Issues and Challenges](#)

2. [Industree Craft: A Case Study in Social Enterprise Development Using the Four Lenses Approach](#). Virtue Ventures, LLC

workers moved to cities in search of work, the knowledge of traditional production practices was also declining. Along with Gita Ram, she was inspired to launch Industree, a social enterprise, to support artisans in maintaining traditional production practices while addressing rural unemployment.

To achieve this mission, Industree began acting as a link between natural fiber artisans, who live and work in remote villages, and the communities and markets they would serve,

which are increasingly global and urban. In founding Industree, Neelam sought to provide rural artisans with the opportunity to maintain traditional production practices while appealing to global customers.

After launching her first shop, Neelam observed the behaviors and preferences of her customers. Industree regularly solicits informal customer feedback and uses trade shows and craft fairs to gauge the shifting fashion trends in textiles, furniture, and gift segments. Industree also examines sales records to identify customer buying patterns and popular items.

CASE STUDY

Industree

Building a hybrid structure

By 2000, Neelam and her team had a strong understanding of their customer segments. However, at this point, Neelam began to recognize the need to incorporate her organization as a hybrid social enterprise consisting of two entities: a for-profit and a nonprofit. She determined that the additional costs of reaching, engaging, and training rural artisans were substantial and would require grant funding. Government funding was available to build rural capacity, but it was not granted to for-profit companies.

By adding a nonprofit entity, the organization became able to receive grant funding (including government funding) to train rural artisans. Philanthropic grants could now provide the business with a runway to operate for 3-5 years without expectations of return.

At the same time, Industree's for-profit status continued to create more confidence among buyers because of its high level of quality. Neelam says that a blended model, including both philanthropic and investment capital, is essential for a social



CASE STUDY

Industree



enterprise like Industree. Industree’s model continued to rely first and foremost on maintaining a viable retail business. Neelam says, “This comes first—if the store is a failure, I don’t have strong feet to stand on and talk about my social mission.”³

The business-to-business opportunity

In 2007, as Industree grew, Neelam saw an opportunity to broaden her impact by working directly with large corporations. At the time Robert Max Metcalfe was heading IKEA’s India operations. He visited one of Industree’s retail outlets in Chennai and was impressed by natural fibre products. He expressed interest in engaging with Industree as a vendor.

However, Robert and Neelam quickly realized this would be challenging. While the IKEA team loved the social enterprise model that Industree was using to empower artisans, they needed Industree to attain the standards laid out in their IWAY supplier code of conduct. Industree had a small team and the majority of artisans worked out of their own homes so meeting IKEA’s standards would require some necessary adaptations.

3. [Industree Craft: A Case Study in Social Enterprise Development Using the Four Lenses Approach](#). Virtue Ventures, LLC

CASE STUDY

Industree

Additionally, maintaining high quality and consistency for large orders proved difficult. For example, when one large order came in from a Belgian corporation, the Industree team had artisans prepare the products in batches, with each batch hand dyed in their own cooking pots. Unfortunately for the Belgian buyer, the resulting products turned out dozens of different shades of blue. Neelam determined that Industree would need facilities, such as a central dying center, and standardized processes in order to scale.

Neelam began to seek investment to finance this growth and further professionalize her workforce. In 2008, the team raised capital from Future Group, India's largest retailer,

and launched the brand Mother Earth. Future Group recognized the potential for a multi-brand retail chain positioned to reach the growing "green" consumer segment and invested \$1.5 million USD for a 43% equity stake in Industree's for-profit company.⁴

In 2013, Neelam was ready to renew partnership conversations with IKEA. At that time, IKEA was building out IKEA Social Entrepreneurship Range & Supply, which aimed to enable social entrepreneurs to gain access to global markets. Industree was ready to participate with GreenKraft Producer Company.

4. [Industree Craft: A Case Study in Social Enterprise Development Using the Four Lenses Approach](#). Virtue Ventures, LLC



CASE STUDY

Industree



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Working with IKEA was a turning point. By meeting IKEA's requirements, Industree significantly improved the quality of their supply chain, reducing risk for the business.

The Industree team implemented many changes ranging from new compliance protocols, to packaging, to production floor standards and more. As standards improved, Industree became able to offer higher quality products to other corporations as well.

Since renewing the partnership with IKEA in 2013, Industree has developed over 120 products for IKEA during 10 rounds of product development. Where the team started with 80 women in 2013, there are now over one thousand women engaging with Industree. Of those women, 70% are first time workers. Their roles provide them with the opportunity to be economically independent and improve their status within their families and communities.

Managing the partnership

Industree learned that establishing a successful partnership with IKEA required developing a comprehensive understanding of the partner's business requirements. Neelam stresses that social enterprises also need to have clear plans in place to ensure they can deliver the promised products on time. Additionally, she found that social enterprises need to have the ability to raise working capital so that they can bring the company to scale (including by having enough trained staff and raw

CASE STUDY

Industree

materials available to fill large orders). A strong compliance team which can verify the quality of orders is also essential.

Balancing busy and lean periods continues to be an important challenge for Industree. While one order might require the creation of seven thousand pieces, the next might be twenty thousand. Being able to manage the fluctuations is critical. After having

scaled up capacity to meet the needs of a large order rapidly, a lean period could be disastrous; this has led Industree to remain dependent on IKEA. However, the goal is to continue to diversify its buyers over time. IKEA's commitment to providing continuity and large order sizes has enabled Industree to gain the efficiency required to meet social impact goals around artisan income and empowerment.



CASE STUDY

Industree



Next step: global scale

Industree has set its sights on creating value for rural artisans outside of India by continuing to focus on what the team sees as a central cause of rural poverty: a lack of access to commercial markets. According to Ami Patel, executive director of Industree, East African countries demonstrate a strong cultural heritage in their handcrafts, a high level of skill in traditional methods, and a strong potential for growth. As a result, the Industree team will explore the East African market as a potential growth opportunity in the coming years.

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DISCUSSION QUESTIONS

- Industree has been able to scale its impact on rural artisans in large part due to its partnership with IKEA, which has allowed Industree to increase quality, improve social and environmental compliance, and engage more workers. At the same time, Industree spent many years building capacity to meet the needs of the partnership. In what ways would a partnership with a global corporation impact your business? What would be the advantages and disadvantages?
- In order to help artisans adapt to changing customer needs, co-founder Neelam Chhiber sought to understand customer behavior (including individual customers, and corporate buyer customers) by asking for feedback informally and observing their purchasing patterns. What approaches to customer research have you taken? What avenues have been most fruitful in helping you to identify and understand your various customer segments?
- As a social enterprise, Industree built a unique hybrid model which allowed the team to benefit from both for-profit and nonprofit capital opportunities. While some types of growth required investment capital, other initiatives were better suited to government or philanthropic funding. Are there alternative types of capital that might be valuable to your business in its current stage?

This case study draws upon conversations with Neelam Chhiber, co-founder of Industree, and Ami Patel, executive director of Industree, as well as: the Industree website, A Case Study in Social Enterprise Development Using the Four Lenses Approach authored by Virtue Ventures, and A Study on Financial Analysis of Rural Artisans in India published in the International Journal of Creative Research Thoughts (IJCRT) December 2017.