

Toe-Hold Artisans' Collaborative: A Case of Transforming Necessity-Based Entrepreneurs to Opportunity-Based Entrepreneurs

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This case, based on the personal experience of the author is a narration of how an illiterate, downtrodden group of artisans engaged in a traditional craft for livelihood were transformed into growth oriented entrepreneurs by creating their own Group Enterprise-“Toe-Hold Artisans Collaborative (TAC)”. This case covers the initial challenges involved in entrepreneurial development process and highlights the secrets of blending the social and business elements together while conceiving, launching and managing a hybrid social enterprise. It describes the critical changes brought in the entire business model enabling the artisans who were dependent on the traders were able to become self reliant and cherish the profits earned in the value chain themselves.

CASE

The Tradition of Kolhapuri Footwear

Kolhapuri chappals (local word for Footwear) are famous handcrafted footwear made in a cluster of villages in the border districts of Karnataka and Maharashtra states of India. Regular Kolhapuri footwear is ideal for daily wear and could be also worn on special occasions.

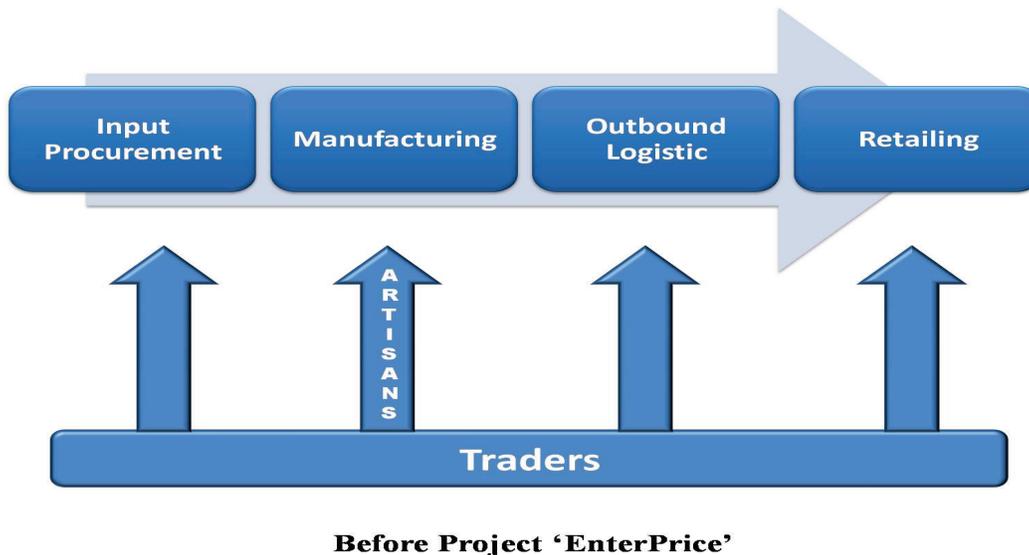
These footwear are made from locally processed (bag tanned) leather using vegetable dyes. Hides of buffalo, goat and cow are processed and grazed. Grazing of leather makes the leather hard enough for daily wear and tear use. Using specific templates, the basic footwear design is then cut out. Depending upon the final product, the cut outs are kept in natural color or dyed as per specifications. The sole and the upper body of the footwear are joined together by stitches which are done with a leather cord instead of nails. Entire families work together and make these footwear. The men usually fashion the lower sole and women design the innersole and work the uppers with intricate braiding and other designs. It is usually free from all allergic properties unless of course if the wearer is allergic to specific types of leather. This intricately handcrafted footwear has been able to retain its uniqueness and ingenuity primarily due to skilled craftsmanship and the fact that it complements most Indian outfits perfectly.

Kolhapuri's- The Days of Shrinking Market

Majority of the Kolhapuri footwear artisans were bonded by traders and middlemen who had control over the market and raw material. Fig 1 shows the Kolhapuri footwear value chain before project 'EnterPrice'. Kolhapuri footwear though being exported to Europe once started facing shrinking market in mid eighties and nineties due to poor quality raw material, extremely traditional and conventional production practices, lack of standardization and fewer design options for customers. Exports also suffered a severe setback when some shipments were found to be inferior in quality and standardization,

with the result that Kolhapuris were generally/ informally blacklisted by buyers abroad. This in turn squeezed the demand further, to the extent that in large parts of the country, the reputation of Kolhapuris was that of cheap footwear, poor quality, and lasting no more than two-three months, and getting damaged with the first contact with even a little bit of water.

**FIGURE 1
KOLHAPURI FOOTWEAR VALUE CHAIN**



Before Project 'EnterPrice'

Traders and middlemen were only focused on exploiting these artisans and were never bothered to improve the product or the processes. The shrinking market further led to intense competition both among the traders and the artisans. Work became scarce for the artisans (not even hundred days a year) and the wages were lowered down.

The Then Fate of Kolhapuri Artisans

The shrinking market along with continuous rising cost of living led to increasing poverty among the artisans. Their dependency on traders and the middlemen further increased in the sense that they started taking loans from them for daily living and became at the mercy of powerful exploitative forces. Athani and Nippani in Northwest Karnataka is the heart land of Kolhapuri sandals. These villages are the land of the skilled makers of the world-renowned Kolhapuri sandals belonging to the socially backward and downtrodden class – the Samagara class which falls under scheduled caste¹. The stories as narrated by some of the artisans are as follows:

“...We came to Athani 10 years ago for work. I am uneducated and having 3 children. We know only footwear making. Around 6 years we worked with different Sahukars and we were getting very low price for our products. Whatever we were earning was not sufficient for our food, rent, and medical expenses. Our hard work also did not help us to earn more, therefore we ended up in taking loans and it has become around Rs.70000. We were unable to come out of this loan...” Savitha Harale

“...We are in Athani from 1979. 20 years we were living in a rented house. Both of us are uneducated. We were making footwear for generations, especially, the traditional kolhapuri footwear. We used to supply to the middle men and getting very low profit and were able to just meet the 2 meals. In case of any medical problem, we used to borrow for a high interest rate...” Parvati Datta Lokare.

“...I got married in 1986 and we have two children. I and my husband are making Kolhapuri Footwear for decades. We were working as bonded laborers for a Sahukar and we had taken a loan of Rs.50, 000 from him. They used to fix the rate for the footwear we make. Though we worked hard, it was not enough for the entire family to have the full meals...” Anita Bamane

Athani (see exhibit 1) alone is a home to over 400 families of artisans with a rich legacy of this traditional skill. Many of them were forced to give up this trade when Kolhapuri footwear industry was facing shrinking market leaving only 50% actively engaged in this trade.

ASCENT and the Project ‘Enterprice’

Asian Centre for Entrepreneurial Initiative (ASCENT) - a Bangalore based institution initiated a project with the objective of transforming the artisans to entrepreneurs in January 1999 to December 2002. The objective of the project was to ensure that the artisans got the right price for their handcrafted footwear and in the process transform them into entrepreneurs particularly women. Hence the project was titled as ‘EnterPrice’.

Reaching Out to People

The volunteers of Project EnterPrice assessed the situation in the area through a base line survey. They interacted with artisans, government agencies, merchants and community leaders. ASCENT initially conducted small workshop with a few representatives especially the women members of artisan families, selected by the artisans themselves, to jointly analyze the problems and the possible solutions. It was finally agreed that initially an effort would be made to develop adequate savings within groups of artisans, which would in turn be used for loans among themselves. It was also agreed that the groups would be of women, and that for ease of interaction, each group would limit itself to 15-20 members. Further opportunities for training, both in footwear making as well as in other trades, would be explored as and when possible.

Formation of Women Self-Help Groups (SHGs)

Though it was agreed in the workshop that the groups would be formed for saving and credit, when it actually came to forming the groups, initially ASCENT experienced a lot of resistance. As groups grew the members started understanding the importance of meeting together, following systematic procedures, and most of all, assessing any situation in terms of what themselves could do instead of depending on others - the Government, the Panchayat, the traders, etc.

Today there are fifteen SHGs covering 175 artisans – eleven SHGs in Athani and four in Nippani, Each SHG has 12-16 members and they meet once a week on a fixed time and day of the week. Along with the members of the group, the SHG coordinator attends the meeting and facilitates the discussions, writes minutes and helps them sort out problems, if any. The regular weekly savings, the earned interest on loans and the earned bank interests, fines, profit share from Toe-Hold kept the SHGs common fund growing. All SHGs had made a resolution that after a threshold common fund level of Rs 100,000, the interest earnings could be shared among the members in ratios worked out on the basis of savings proportion. Each SHG had a bank account and every woman was exposed to banking transactions. Some groups had also taken loans from the bank for requirements such as working capital for production against orders.

Technical Skills Training; the Making of the Footwear

Earlier the artisans were following traditional and conventional practices for manufacturing the footwear. ASCENT realizing the importance of training these artisans arranged series of training programmes on technical skills augmentation with the help of Central Leather Research Institute (CLRI-India) both at Athani and Chennai. CLRI scientists exclusively looked into each of such practices and the problem associated with them. After ensuring that the artisans were able to absorb the inputs provided by CLRI, onsite training at Athani was conducted for all other artisan families. Artisans already trained at

CLRI were used as trainers who demonstrated sequentially the various steps involved in manufacture of Kolhapuri footwear using CLRI method right from cutting of leather up to final assembling using the lasts. The demonstration was carried out using leather available both at Athani and the leather developed using CLRI method. The programmes were conducted in the vernacular and even the elderly among the artisans accepted to adopt the new techniques.

Product Development

The traditional product –Kolhapuri footwear was developed in terms of standardization, newer designs, consistency in quality, and cost reduction by way of selective mechanization.

Standardization- To bring in standardization lasts and templates were introduced and the artisans were trained in using these lasts and the templates.

Design Development-Better designs lead to higher value addition and better sales. ASCENT knew that creativity and traditional vocational skills of the artisans were very high and they could easily create new designs. During the training they were introduced to simple tools, like changing the use of type of leather, different colours of leather, changing the shape of the uppers, designs of the uppers, using different materials for decorating the uppers like beads, crystals, braids, etc. which would help them in coming up with finer designs by permutations and combinations.

Quality Control-With the help of the groups, quality standards were specified for each stage of production-cutting, pasting, lining, finishing and packing. A member in each SHG is trained in checking the quality standards.

Creation of Common Facility Centre (CFC)

The artisans groups were handed over with two built-up sheds of 5000 sq.ft each in Athani where the Common Facility Centre is created with the funding support under project EnterPrice. In one of the sheds machines like sole cutting, stamping, stitching, driers etc are installed. These machines help in reducing drudgery, bringing in standardization and enhancing productivity without replacing the ethnicity and hand crafted skills of artisans. Other accessories like lasts, packing material etc are also made available to artisans through CFC. The women groups manage the CFC. CFC also has a raw material bank for making available colored leather which is not available locally. The other shed has design studio, office space for local staff, space for SHG meetings and records etc.

Exposure to Markets

Under the project EnterPrice artisans were exposed to both national and international fairs with a view to enable them to understand the markets, customers and their preferences. They developed their own samples for participating in these exhibitions. When customers showed lot of interest in their products, their confidence level enhanced.

Realization of Own Brand and Own Enterprise

The exposure in national and international fairs made the artisans realize that Kolhapuri's did not have a strong reputation of quality-for most buyers, the term Kolhapuri evoked an image of cheap footwear both in quality and price. They strongly felt that they must have a distinct brand of their own. Coupled with this, the ignited entrepreneurial spirit and enhanced competencies through training and development, boosted confidence through matured SHGs, CFC and market exposure, the bug of having their own enterprise started biting them.

The Birth of Toe-Hold Artisans Collaborative

By October 2000 they formed their own Group Enterprise. The enterprise was named as 'Toe Hold Artisans' Collaborative (TAC) and products were promoted under the brand 'ToeHoldTM', which was targeted at the high value niche segment. It is being registered as a non-profit company under section 25 with participation from artisans. The board comprised of 3 artisans, nominated by the artisan community and they served on the board for about a year. The other members of the board consisted of the Rotary

president and other office bearers of the rotary. They were present on the board to advise the artisans on the future road map and how they could improve their operations and also how they could solve any other issues they might have. The company soon began to export to very competitive mainstream international fashion markets. The name 'ToeHold™' was chosen for two reasons: first, they wanted a toehold in the market, and second, because the most important part of the Kolhapuri footwear was the toe.

TAC received **Excellence in Exports Award (2006)** as the Exporter from More Backward area instituted by **Federation of Karnataka Chamber of Commerce and Industry (FKCCI)**.

TAC is acknowledged as a model for digital bridging. www.toeholdindia.com won the *National Manthan Award for 2005* for e-content in business category.

Customers and Markets

The TAC customers could be classified as direct export customers and indirect export customers. Direct export customers are those based in foreign countries and place orders directly with TAC. Indirect export customers are the traders and merchant exporters in India who buy from TAC and then export. A direct export provides TAC an opportunity to build a brand in addition to higher profit margins, better control over the export process and direct relationship with the overseas buyers.

In case of indirect exports, TAC has to depend on trader or a merchant exporter. The profit margins are also low in indirect exports and it does not provide TAC an opportunity to build its' brand. However, this was a growing segment because an increasing number of local exporters were getting into leather footwear. Indirect export orders were also classified as exports, because the producer (in this case Toehold) enjoyed many of the fiscal incentives in spite of exporting through a local company.

The entire market could thus be classified into two types (see Exhibit 3 for revenues by year, and Exhibit 4 for the split between export and domestic revenues):

- 1) Export market
- 2) Domestic market

Domestic market referred to the market within India through retail chain of stores. This market did not give the advantage of higher margin and other export benefits. Moreover the domestic market customers preferred dealing directly with the artisans over TAC. The export market was more lucrative since the margins were much higher and the customers preferred dealing with TAC as a group enterprise than with individual artisans. The primary method for generating orders from this market was participation in international trade shows and the Toehold™ website. See Exhibit 5 for evolution of revenues by export market.

The buyers' expectations are different when it comes to export market and the domestic market. While product quality in terms of standardisation and consistency is equally important for both the buyers, the existing foreign buyers expect newer and innovative designs every year. When it comes to domestic market the price becomes the deciding factor whereas in case export market, the quality of craftsmanship plays an important role. Exhibit 6 captures the differing expectations of foreign buyers and the domestic buyers.

Operations

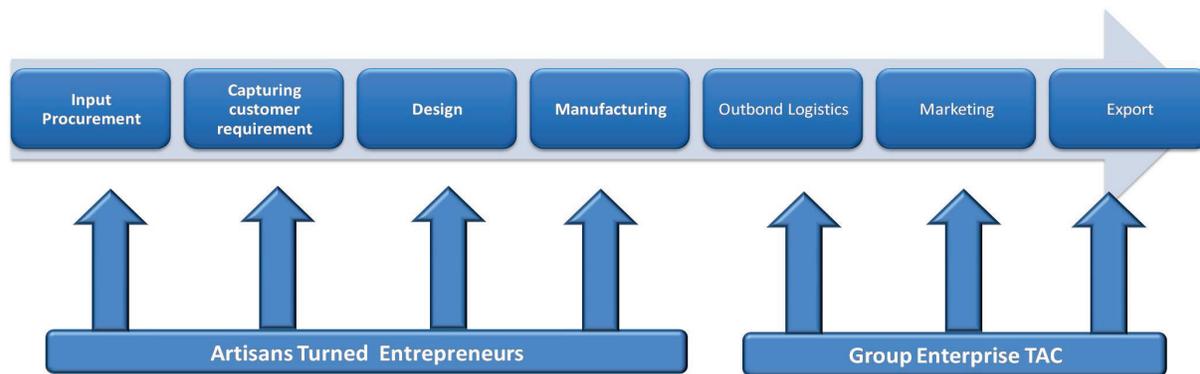
Customers usually send their own designs or pick the designs from the samples exhibited at the international fairs and send it in along with the other specifications like order size, delivery schedule etc. The designs were then sent on a CD to Athani. The design specifications were conveyed to the artisans. A meeting of the leaders of the 15 self help groups was called and the order and designs were communicated to them. In case of totally new design, one group was picked to make the sample. A master artisan usually expressed willingness to make the sample. The samples after more expertise intervention were then sent off to the client. The client, when satisfied with the samples, confirmed the order which was then communicated back to the team in Athani and the group leaders gathered once again to split the order among the groups in a process similar to bidding. The leaders split the order among a few groups. It is not compulsory for the artisans to accept the order and, they usually make this decision based on-i) the availability of time and spare capacity to produce within the deadline (if they are not busy with some

other order at that time), ii) availability of raw material, working capital for producing a particular type of footwear, iii) availability of skills for making a particular design of footwear and iv) the price they would be getting for this order. (For instance in a recent Korean order wherein the order of more than 10000 pairs was produced by 50 different artisans based on their capacity. The maximum being 1106 pairs by Savita Harale and a minimum of only 20 pairs by Jayabai Shinde).

The artisans then purchased materials like leather, threads, and glue and rented things like lasts and templates from CFC that were required to complete the order. When there was a need for a special type of leather, they placed orders at the 'Raw Material Bank', which procured the same from dealers across the country in places like Chennai, Sangli, and Mumbai etc.

The artisans then started working on the orders in their houses and check on the quality was done periodically so that any problem could be fixed as early as possible. Once the artisans completed the orders given to them, they then dropped off their consignments at the Athani operations office. A more stringent quality check was carried out and corrective action taken. The footwear was then boxed and sent to Bangalore from where it was dispatched to the client.

**FIGURE 2
KOLHAPURI FOOTWEAR VALUE CHAIN**



After Project 'EnterPrice'

Business Model and Profit Sharing

ASCENT is just a facilitator and has no economic stake in TAC. TAC is an independent enterprise of the artisans. The only stakeholders in this model were the artisans and the 5 employees who had been employed by the artisans. The front end of TAC was a customer-centric business enterprise that had taken the exquisite footwear brand 'ToeHold™', to challenging international mainstream markets. The backend was an artisan-centric enterprise striving for improvement in the quality of life of artisan families. The institutional arrangements are depicted in Exhibit 7.

The artisans got about a 10% markup over their cost price when they sold the completed consignment to TAC. The orders were then sent to the client who then paid for the consignment. The profit from this was spilt in a 40-40-20 model. The artisans who worked on the order got 40% of the profits, the SHG got 20% which was used for loans to its members when in need and TAC retained 40% of the profits which was used for various administrative expenses like salaries of the 5 employees and part of the marketing expenses (see Exhibit 8 for the revenue split based on the sale of one pair of footwear, and Exhibit 9 for TAC's monthly and annual expenses). Part of marketing expenses had come from the Government as subsidy (see Exhibit 10).

Beyond Business

In the process of development ASCENT realized that it needs to work on social angle as well. Earlier, artisans especially women were very shy and had very low esteem for the fact that they belong to downtrodden community and work with leather. Until the arrival of ASCENT, no agency had focused directly on uplifting the social status of the artisans in society. The Rotary Club of Athani was formed through the efforts of ASCENT to bring about this positive social change. It brought together the leading businessmen, doctors, lawyers and other influential citizens of Athani to jointly make a difference in the lives of the artisans through various services and interactions.

Reacting to education, Savitri Ram avatar Yadav said,

“In our generation no one went to school and none of us had any sort of education. We never had access to education and moreover, we did not consider it important. Even those of us who wanted to educate our children, were too poor to send them to school and most of the time we had to force them to work from home on footwear components to help us pay off our loans. In case of girls, we used to marry them at the age of eight or ten. But now we realized the importance of education. Our children are now getting educated in better schools. Boys are studying up to SSLC and beyond and we also encourage girls to get educated. Some of the girls want to become air-hostesses. Earlier we wanted our children to give up footwear making after getting educated, but looking at the business prospects our children want to continue with this.”

Challenges

The biggest challenge that TAC is facing at present is attracting a right candidate who can shoulder the responsibility of a CEO- a social entrepreneur in real sense. It has been the entrepreneurial mindset coupled with a social mission of the leader which solely made it possible so far. The sustainability would largely depend on planning for succession which the present leader is well aware of. Another major challenge that TAC is facing is to get a foothold in upper end domestic market. As is seen from the figures, the domestic sales are going down year by year. This makes it difficult for TAC to keep its' members busy throughout the year. As such the Kolhapuri footwear business suffers from the seasonality. The expectations of domestic buyers are distinctively different from the foreign buyers. In order to carve out a niche in the domestic market, TAC needs a professional advice on market strategy, market mix and necessary resources. The third major challenge is scaling up. How to increase the number of people who could benefit from this model without diluting the profits? The team also faced multiple challenges in convincing and assuring international players that this model involving rural artisans would deliver quality products consistently. However, this skepticism seemed to be vanishing and the repeat orders flowing in were a testimony of that.

There are two worries when looked to the future –1), how sustainable was TAC; and 2), how could it be scaled across India and beyond.

ENDNOTES

Title: Necessity based entrepreneurship- where individuals are pushed into business activities because they had no better alternatives for work/livelihood.

Title: Opportunity based entrepreneurship-where individuals pursue entrepreneurship as a choice and keep growing.

1. Scheduled Castes ("SC"s) and Scheduled Tribes ("ST"s) are Indian population groupings that are explicitly recognized by the Constitution of India, previously called the "depressed classes" by the British, and otherwise known as untouchables. SCs/STs together comprise over 24% of India's population, with SC at over 16% and ST over 8% as per the 2001 Census.

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EXHIBIT 1 LOCATION OF ATHANI



**EXHIBIT 2
THE CHANGE PROCESS**

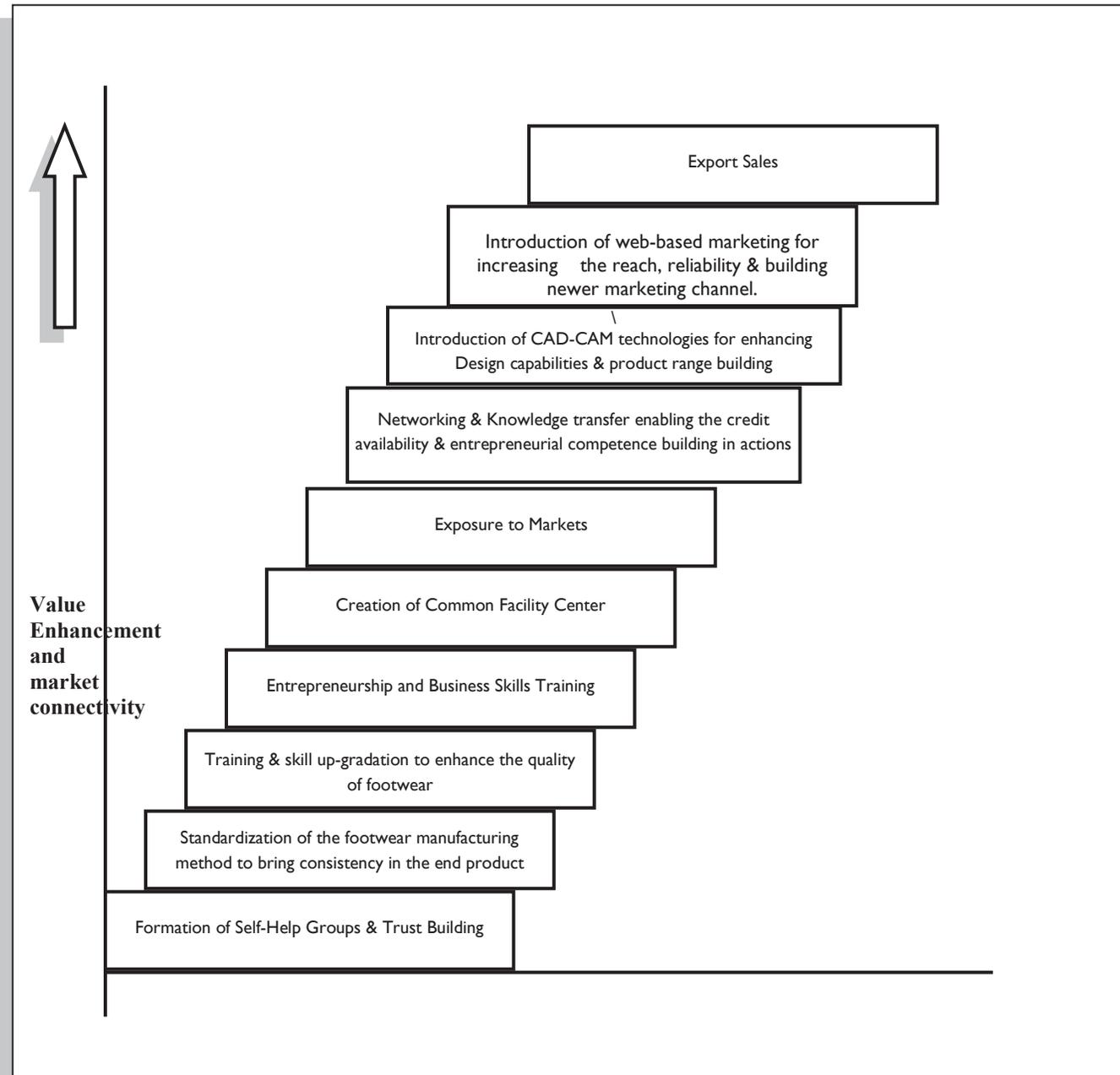


EXHIBIT 3 TOEHOLD REVENUE GROWTH

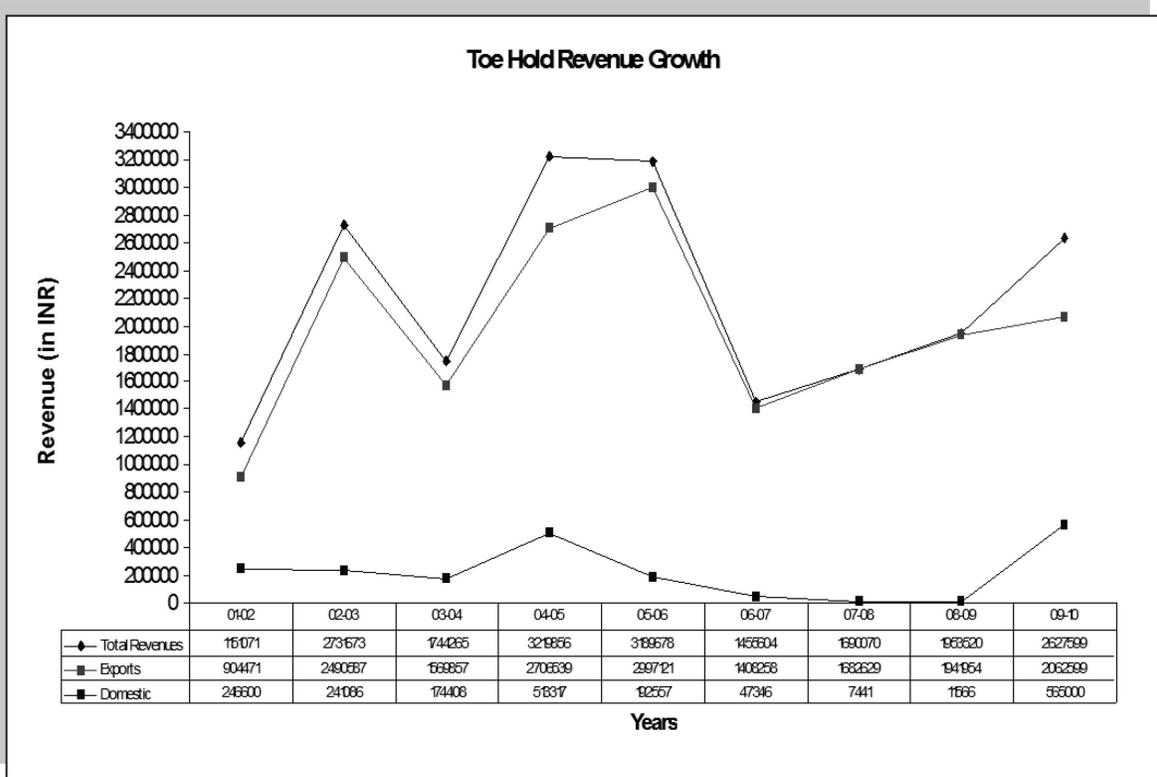
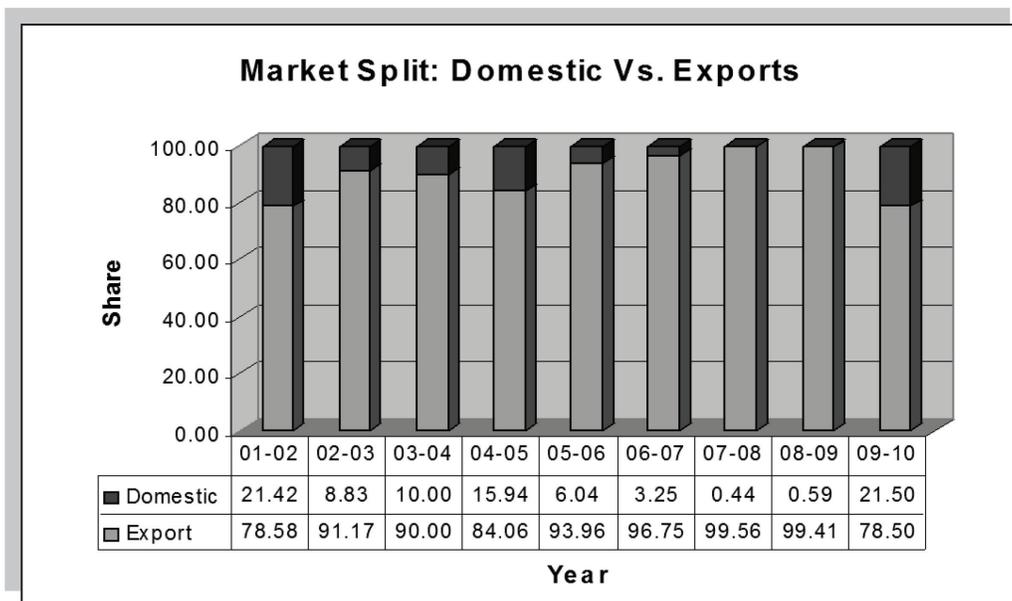
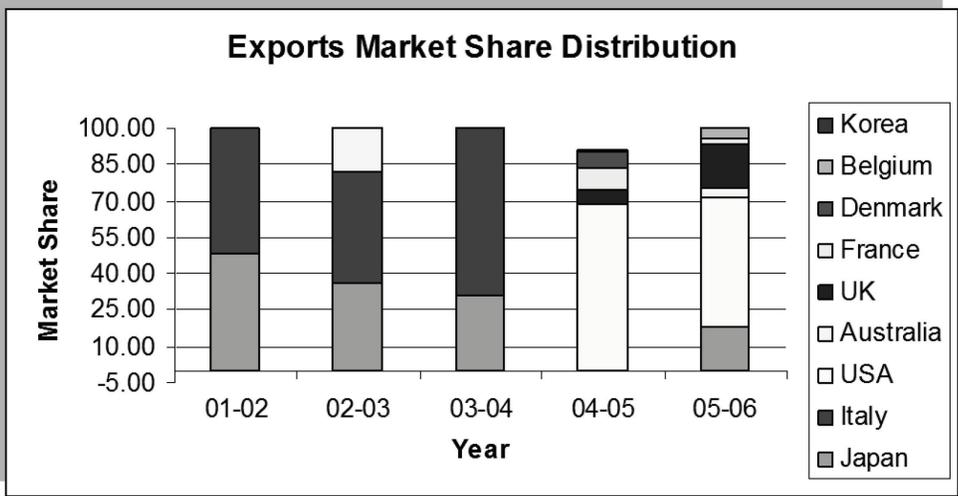


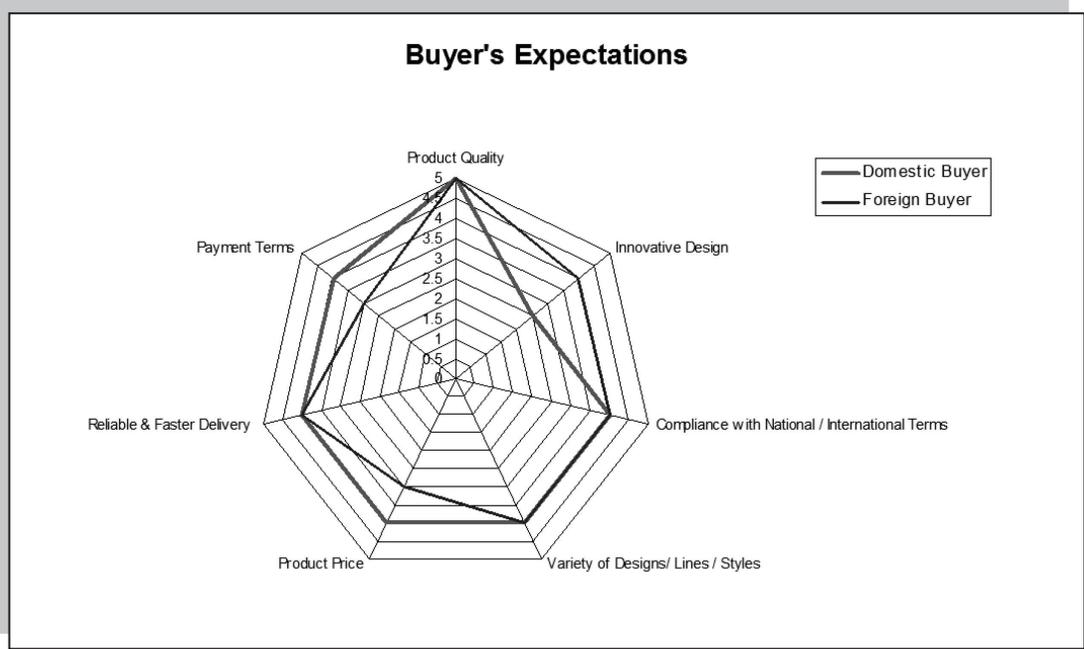
EXHIBIT 4 MARKET SPLIT



**EXHIBIT 5
EXPORT MARKET SHARE**



**EXHIBIT 6
BUYER'S EXPECTATIONS**



**EXHIBIT 7
MAPPING OF INSTITUTIONAL ARRANGEMENTS**

Functions	Levels						Linkage with other institutions
	Village	Cluster	Block	District	State	National	
Main							
Employment							
Natural resource Augmentation							
Input supply							
Credit / Finance supply							← UNDP; NLDP; GoK
Knowledge center							← CLRI
Primary production							
Secondary production							
Marketing							↑ International trade fairs; e-marketing
Others							
Supportive							
Creating awareness & mobilization							
Capacity building							
Research							
Policy advocacy							
Developing infrastructure							
Creating Linkages							
Others							

EXHIBIT 8
PROFIT SHARING MODEL (40-40-20)
(The yearend profit of TAC, if any, was shared)

<u>Artisan:</u>	<u>ToeHold: (40-40-20 model)</u>
Cost of Goods Sold: Rs 55/-	Cost Price : Rs 105/-
Labour Cost: Rs 35/- (from Saudagars)	Selling Price: Rs 250/-
Total Cost: Rs 90/-	Margin : Rs 145/-
Sale Price to TAC Rs 105/- (@ 15% margin)	
Upfront Profit: Rs 15/-	
Total Artisan Profit: Rs 73/- (15 + 58) ←	
Total Artisan Revenue : Rs 108/- (35 + 15 + 58)	

EXHIBIT 9
OPERATING COSTS OF TAC

	Monthly (INR)	Yearly(INR)
Salaries		
GM / Marketing Coordinator	11,350	136,200
Manager	5,000	60,000
Production Coordinator	3,750	45,000
Group Coordinator	3,750	45,000
Operator	2,750	33,000
Refreshments	500	6,000
Newspaper & Magazines	100	1,200
Auditor's Fees		10,000
Electricity	700	8,400
Water	100	1,200
Maintenance		5,000
AMCs		3,000
Telephone + Internet		27,000
Fax, Postage & Courier		2,400
Stationery & Printing		4,000
Local Travel & Lodging		20,000
Membership Fees		2,000
Tax Registration Renewals		4,700
Gifts & Give Away		6,500
Web Hosting		5,500
TOTAL		426,100

These costs are being met from the operating revenues

EXHIBIT 10
GOVERNMENT SUPPORT FOR TAC

Govt. Support		Yearly (INR)	
Participation in International Trade Fairs including stall rent, interiors and airfare, boarding & lodging for 3		300,000	every year except 2004
Domestic Fairs Travel Assistance (Partial)		50,000	
Training & Capacity Building		25,000	every year since 2003