

# *Aadi Aushadhi Business Analysis*

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## I. Acknowledgements:

The Applied Global Business Learning (AGBL) group would like to start off by extending its gratitude to the community of St. Xavier's College, and especially Fr. (Dr.) Robert Arockiasamy, St. Xavier's Principal, for another year of hospitality and financial support, both of which have enabled Marquette students to attend this rare and rewarding experience. We would also like to thank the members of the Aadi Aushadhi cooperative, along with the Jesuit community (especially Fr. Alex Britto) for their kindness and generosity during our visit. AGBL also acknowledges the substantial moral and financial support given by Marquette University's Center for Global and Economic Studies, and for that we are extremely grateful as well. Additionally, we want to extend our acknowledgments to Mr. Francis Macwan, Mrs. Heena Macwan, and Chinmay Macwan, as well as Mr. Himmat Chauhan, and Father Lancelot D'Cruz, SJ for their hospitality, guidance and efforts that undoubtedly made our journeys throughout India quite memorable. Finally, we would like to extend our thanks to Dr. David Clark and Dr. Heather Kohls for sharing in the AGBL experience and for providing their expertise and insights throughout the trip.

## II. Introduction:

The following report is the summation of AGBL's thoughts after returning from our trip to Dediapada in January 2014. The team was very pleased with the culture and the current state of the organization. The emphasis on collaboration and a sense of member pride and determination were clear as we toured the facility and the various farms of the cooperative. We are confident of a prosperous future for Aadi Aushadhi, and to continue moving forward, we

have identified various areas upon which to build. In this report, you will find our suggestions for continued improvement and opportunities for growth.

### III. Current State of Aadi Aushadhi:

#### *A. Improvements Made*

The improvements made to Aadi Aushadhi gave the AGBL team confidence that the suggestions that past AGBL groups have provided are carefully considered and acted upon. We observed the cooperative members and saw their enthusiasm and motivation to promote growth in the company. In addition, the new equipment and plants that have been acquired are important steps to future growth. The members also recognize that pursuing more opportunities for sales at fairs and festivals are increasing revenue streams enabling the cooperative to grow. The marketing and packaging have improved from the previous year. For example, ingredients are now listed on the packaging, which is an important development. Customers can now determine the nutrients they consume. Also, customers who may be allergic to materials used to create the product can now avoid its use. If Aadi Aushadhi is thinking about exporting products to other countries, this ingredients list will be a necessity.

#### *B. Current Limitations*

Aadi Aushadhi's most pressing limitation is inadequate production capability and the current members recognized the importance of recruiting new members to the cooperative. Ideally, the new members will be located within close proximity to the current processing facility to facilitate collection of materials and participation of new members at regular meetings of Aadi

Aushadhi. If it is necessary to recruit members from greater distances, there may be additional logistical issues that will need to be addressed.

A second limitation is that data that has been collected has not been systematically analyzed. For example, it is not clear which products are most profitable. To determine this, you must understand both the costs associated with the production of the product as well as the revenues from the sale of the product. This is a common problem with relatively new companies. Data may have been collected on sales and revenues of particular products and costs associated with the production of those products, but that data may not be in a format that can be readily analyzed.

A final limitation exists with the website ([aadiaushadhi.com](http://aadiaushadhi.com)). While the website represents a good start, it does need to be updated. The homepage is incomplete with the words [easyslider] listed at the top of the page. The Products page includes an appealing image of each product, but provides no additional information about the product when the link to the product is clicked on. The Gallery page is blank. A good website sends a strong signal about the strength of the company and thus it needs to be monitored and updated regularly. An incomplete website may send the opposite signal and so the site needs to be regularly reviewed to make certain that the information is accurate and complete. We elaborate on solutions to all of these limitations in detail below.

#### IV. Efficiency Improvements

##### *A. Track Products*

It is encouraging to see that there has been enough growth of the Aadi Aushadhi cooperative to warrant discussions of expansion. The fact that there are problems meeting demand can be viewed as a good problem to have, because it means that there is a high demand for the products and that the marketing is reaching its appropriate audience. However, it is still a problem because products that cannot be sold due to inadequate inventory represent lost profits for the cooperative.

While the issues with production are being addressed, it may be beneficial to focus on the sales of medicinal products for which adequate inventories currently exist, or which are relatively easy to produce. Having so many different types of plants (i.e., over 120 varieties) is a great way to offer choice, but it might make supplying them more difficult over the next few months. In addition, these current supply constraints should be considered as you market your products.

As you plan for the near future, it will be necessary to improve your record keeping to track and analyze the sales and profit margins of the various medicinal plants. This would basically be a recording of the profits made per unit of the product sold. After a period of time, be it seasonally, yearly or monthly, this data can be analyzed and used to discover which products are in highest demand at various times of the year. In addition, Aadi Aushadhi can also use this information to determine which plants are most profitable at current prices. It can also be used to determine whether an adjustment to the product price (either up or down) would be appropriate.

With that information Aadi Aushadhi can properly plan for the future by establishing a production schedule that will be used to maintain adequate inventories to meet demand throughout the year. This will help eliminate production problems resulting from inadequate raw materials that currently limits the profitability of the cooperative. Keeping detailed sales records and also tracking sales and profit margins can also help identify the potential benefits to new members of growing certain types of plants.

We recognize that Aadi Aushadhi will need assistance in developing these capabilities and we suggest that you consider developing these additional professional contacts with Economics students at St. Xavier's College. We elaborate on that recommendation below.

### *B. Increase Professional Contacts*

Through the hard work of the members and the excellent leadership provided by Mr. Macwan, Fr. Lancy D'Cruz and Mr. Chauhan, Aadi Aushadhi has experienced impressive growth over the last few years. The Marquette AGBL students have provided periodic feedback to Aadi Aushadhi over the past 5 years and we hope that advice has been helpful. However, we believe that more consistent feedback from economics students would be helpful. It might also be worth examining a relationship with Economics students at St. Xavier's College in Ahmedabad. These students would be able to meet with the cooperative more frequently (e.g., perhaps several times each year) which would give them the opportunity to better understand the challenges facing the members and the cooperative. A constant flow of ideas and a deeper more personal connection could lead to quicker problem solving. These students could also take the lead in developing electronic databases from the records that you currently maintain, and then

using those data to determine the most profitable products for the cooperative. In addition, they can work with the Marquette AGBL students to provide ongoing feedback and insights to Aadi Aushadhi.

### *C. The Importance of Communication and Idea Generation*

The monthly meetings are an important way to foster communication within Aadi Aushadhi. We also believe that some of these meetings should focus on idea generation exercises, or brainstorming sessions, much like we did while visiting Dediapada. When doing this, it is important to keep track of suggestions, discussions and the implementations of ideas. This is also a way to resolve future disputes in case some members think their ideas are being ignored. Overall, by trying to problem solve within the group, you effectively create an inventory of ideas that can be periodically reviewed by the group. A strategy or suggestion may not be appropriate when it was originally suggested, but by recording it, that same idea can be referenced and possibly acted upon to great effect at some future point in time.

Brainstorming both potential problems as well as solutions could lead to a more proactive approach, which we believe is important for Aadi Aushadhi. Members voicing concerns with issues at the monthly meetings can help deal with small problems before they grow into major problems. Tackling potential issues before they grow can save everyone involved time, money, and quite a bit of stress. This proactive approach to potential issues will certainly be a benefit for the cooperative to consider.

#### *D. Maintain and Update the Website*

A process needs to be established to maintain the [aadiaushadhi.com](http://aadiaushadhi.com) website. This means making certain that all links continue to work as they should and then planning for the improvement of the site by adding more features. For example, the products page is an excellent place to give more information about the product, including ingredients, pictures of the product, and the product's price when someone clicks on the product label. We understand that Aadi Aushadhi is not currently in a position to directly sell from its website, but that may be functionality that you could work towards in the future. At the very least, we suggest that a monthly review of the website be conducted to make certain that the site is working properly. Improvements and updating of the site should be done at least annually so that information presented there is up-to-date.

#### *V. Future Planning*

##### *A. Increasing Production Capacity*

Aadi Aushadhi has many benefits for its members. It promotes sustainable agricultural production methods; it helps supplement family income that prevents migration to cities during the dry season; and it preserves and promotes the use of traditional medicinal plants that are effective remedies for ailments. One of the greatest risks to any cooperative is for its members to become complacent as a result of recent success and it is important for the members to always be thinking about ways to improve and grow Aadi Aushadhi. Currently the cooperative is running out of essential plant material to create products. We believe that Aadi Aushadhi needs to establish annual production goals to meet growing demand for their final products. Then the

cooperative needs to determine how it will meet those goals. There are several options to increase production capacity.

First, Aadi Aushadhi members can work with their advisors (Mr. Macwan, Fr. Lancy, Mr. Chauhan) to increase their production rates by bringing more of their unused land into production, and also enhancing the yield of existing land. Second, Aadi Aushadhi can recruit new members, either immediate neighbors or members from more distant locations. This can be accomplished through word-of-mouth, by handing out informational flyers at festivals or other events and by traditional recruiting tactics. However, if new members are recruited from more distant locations, then care should be taken to avoid problems with communication and coordination of activities as they will become more challenging. This is a common problem in growing businesses, so caution is necessary when increasing membership. We elaborate on these challenges in the next section. Third, Aadi Aushadhi can form partnerships with other groups to obtain plant material from them. It appears that preliminary discussions with other cooperatives in Gujarat have already begun and we believe that these partnerships can be valuable as long as you are certain that the quality of the plant material obtained from these groups meets the high standards set by Aadi Aushadhi. We encourage Aadi Aushadhi to continue to develop these mutually beneficial partnerships.

### *B. Logistics of Expansion*

There are some logistical considerations that will need to be addressed if Aadi Aushadhi grows by adding members at more distant locations. Compulsory monthly meetings at the current location may be problematic if new members are located too far from the meeting place

to travel to that location. If Aadi Aushadhi decides to recruit farmers from these other locations, it may need to consider how to overcome the logistical problems associated with travel to a central site to deliver their plant material, and to attend meetings. A short-term plan to avoid this problem is to establish additional collection sites for harvested plants. One solution would be to hire or assign someone with a vehicle to drive a specified route on a certain day to go around the area and collect the farmers' raw materials. Establishing additional collection sites will enable more members to participate in the cooperative and allow for more raw materials to be gathered for production, as opposed to having the members haul their crops to the main collection point. If new cooperative members are too far from the monthly meeting site, it may be necessary to adjust the meeting schedule to accommodate these new members.

In addition, Aadi Aushadhi should consider long-term (3-5 year) plans for its processing facilities. It needs to consider the current production capacity of its current facility, and also determine at what point additional processing capability will need to be created. Can the current facility accommodate a doubling, tripling or even quadrupling of the productive capacity? If and when you decide that expansion is necessary, you may want to consider whether that increased capacity should be established at the current location, or at some other remote location. With multiple collection points and more facilities, Aadi Aushadhi may find it easier to recruit additional members at locations that are currently not feasible given the current location (e.g., 50-100 km away is likely too far for a member to travel on a monthly basis to attend a meeting).

### *C. Establishing a Business Mindset*

Aadi Aushadhi has established itself as a strong cooperative that has helped the farmers of Dediapada in many ways, but there are still good opportunities for the cooperative to become a more efficient and more profitable business. The pictures we have seen of the stalls that you have at these festivals suggest a sales stall that is clean and professional. Make certain that you use the opportunity of the festival to tell the compelling story of the Aadi Aushadhi cooperative and promote continued purchases. When appropriate, use the festivals to promote participation of other farmers in the cooperative. The new labels look very professional, and we suggest continued improvements such as including directions as to how to brew the tea or a recommended dosage for the herbs, as well as intended effects. Likewise, taking time to maintain and update the website is necessary for a growing company like Aadi Aushadhi. Finally, always be thinking of ways to enhance the productivity of your members, and the profitability of the cooperative. Think creatively about new products that may yield even greater profits for the members.

### VI. Conclusion

Aadi Aushadhi is a vital growing company and that is impressive. We believe that the cooperative has a great deal of potential and a promising future in its business operations. In the past year, marketing has been very successful at increasing demand for your products. This has created some immediate challenges to supply enough product to satisfy that demand. While, this is a good challenge to have, you need to plan for this in the next several years.

This year we recommend several things for Aadi Aushadhi to consider. First we believe it might be beneficial if the cooperative records the sales and profits of the medicinal plants. This type of tracking will help them identify where the goods that appear to be growing in terms of sales, and also those which are likely to generate the most payouts to the members. To truly understand profits, you need to know the cost side as well as the revenue side. Tracking sales addresses the revenue side. It is now clear that you need to pay closer attention to the supply side (costs, production yield, etc.) to avoid losing sales by not having product to sell. Solving these problems will benefit the cooperative member by increasing their income, and it will benefit the cooperative by increasing the material available for their products.

Second, we agree with the membership that it is important to recruit new members to Aadi Aushadhi. This may require some thought as to how to best accommodate those additional members, especially if they are located at more distant locations. Overall, we believe that Aadi Aushadhi will continue to be successful in the marketplace if it has product to sell. Thus, expanding your productive capabilities is crucial to your success. We also suggest that you continue to make improvements to your labeling. Providing a list of ingredients is good, but you also need to provide some instructions as to how the product is to be used.

Finally, we encourage you to continually maintain and update your website. Eventually you may want to consider using the website for direct sales, but at the very least, it should contain current and complete information about the cooperative and the products you sell. As you continue to grow, you may find that the website is an ideal way to actually sell your product to a broader audience of buyers.

We are all so thankful to have been given the opportunity to interact with the members of Aadi Aushadhi. The loving-kindness we were shown while in Dediapada was greatly appreciated by every one of the AGBL members. We show our gratitude for this experience through this project.