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NCoRE VENTURES PVT. LTD.: ARCHITECTING THE VIRTUAL FACTORY APPROACH

INTRODUCTION

By January 2018, NCoRe¹ Ventures Pvt. Ltd., a Kolkata based start-up that worked with artisans in West Bengal, India to produce hand-woven/ handcrafted products (including hand-made shirts), looked set to attract more venture capital for its future expansion plans to other states in India. NCoRe's mission was to work with artisans (especially women) in India, and contribute to the enhancement of their life and livelihood opportunities by infusing Information and Communication Technology (ICT) driven system-wide reforms in the artisan industry. Since 2018, NCoRe worked with around 2,000 artisans in West Bengal, and sought to scale up at a rapid pace. Within five years, NCoRe aimed to work with over 50,000 artisans across different states in India, and contribute to the socio-economic development of the associated communities in the process.

Headed by Ms. Priya Dutta, an expert in the domain of mobile technologies for development, and a recognized serial social entrepreneur, NCoRe began its operations in 2010 with its headquarters in Kolkata, West Bengal, India. The founders came up with an ICT based innovation known as the Virtual Factory that reorganized the supply chain of artisan industry in India, and enabled its artisans to meet the demands of the global fast-fashion consumers. NCoRe's efficient supply chain helped the firm to produce handcrafted/ hand-woven (hereafter handmade) products at reduced costs, and ensured that the artisans

¹ NCoRe is an acronym that stands for Nex-Generation Collaborative Responsive Community.

Rishikesan Parthiban, Prof. Ramendra Singh, and Prof. Somprakash Bandyopadhyay of the Indian Institute of Management Calcutta developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization.

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retained 30% of the revenue. Moreover, it enabled NCoRe to deliver goods at lower prices for its customers, and helped it achieve profitability by the year 2014. Despite its initial success, the management team at NCoRe was faced with a two-fold dilemma as a part of their ambitious scaling-up strategy. To begin with, could NCoRe afford to scale up at the rates it aspired to (from 1,200 to 50,000 artisans in five years)? Secondly, should NCoRe continue to focus on its existing sales channels (big retailers in India), or look to build its own retail chain, including e-commerce interface?

The first dilemma concerned taking a call on the rates at which NCoRe aspired to scale up. NCoRe utilized mobile phones to connect independent artisans in West Bengal to create a manufacturing model (called Virtual Factory) that facilitated decentralized production of handmade products by artisans from their own homes and at their own timings. Essentially, their innovation was a socio-technical² system that integrated information technology with existing social logics in the community of interest to gain legitimacy. Given the situated understanding required to decipher the talent and skills available with the local artisan communities, and the deep embeddedness needed to understand their problems and earn their trust, NCoRe had to decide if it could indeed scale up to other states in India at the projected rates.

The second dilemma concerned the creation of mechanisms to expand its current sales channels to support its entry plans to other states in the future. NCoRe's initial growth was fueled by the sale of its goods to big retailers and boutique owners in West Bengal. In fact 85% of its current sales were dependent on large retailers and boutiques with direct sales to consumers through its own retail store and e-commerce interface (both of which ran on a pilot mode) accounting for only small percentage of the same. Such an approach for entering the fashion space helped it to avoid huge upfront investments in brand building and communication. As stated by Ms. Dutta,

“Usually, most brands in the artisan industry begin with e-commerce to gain a foothold in the market, and then opt for wholesale to big retailers. However, we believed that it would be better to start with wholesale and build our brand through the same. It helped us to avoid huge upfront investments, and hence, helped us to be more cost-effective in our approach.”

In this context, NCoRe had to decide if it would continue to expand through established retailers, or shift towards building their own retail chain. Considering the nuances and complexities associated with the two dilemmas they faced, the top management had its task cut out in building a growth strategy that would convince its investors to provide impetus to the same.

² Socio-Technical is an approach to system design that recognizes the complexity involved in the interactions between people and technology in a societal setting and incorporates the associated elements within the same.