IIM INDORE

MANAGEMENT CANVAS

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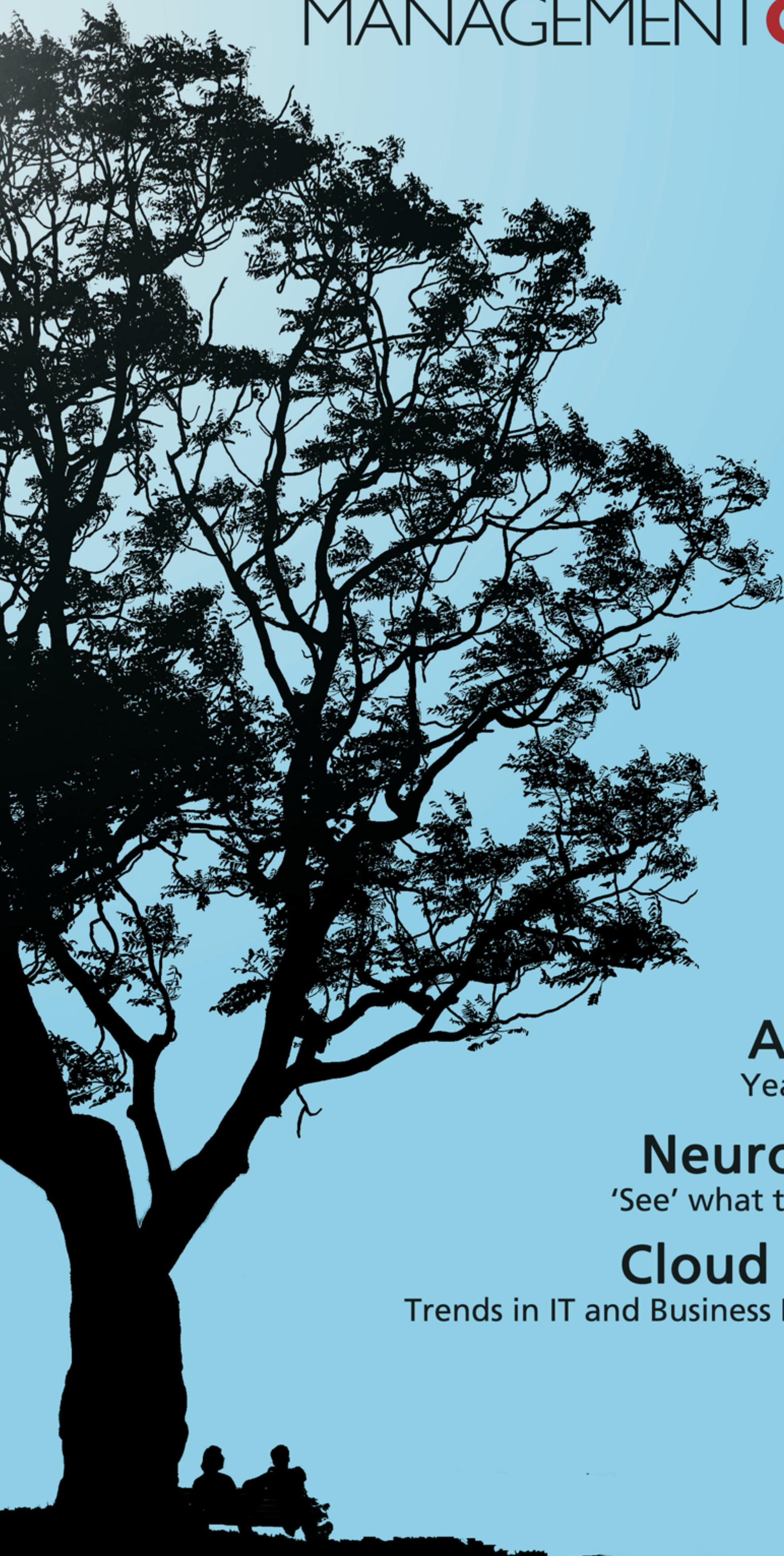

Established in 1996, Indian Institute of Management Indore is the sixth in the prestigious IIM family of management schools. The institute was chosen to be set up in Indore to give an impetus to management education in central India and has ever since been acting as the pioneer in the field of management, in interfacing with the industry, government sectors and PSUs.

IIM I believes that the essence of management lies in managing one's own ambitions and forging ahead consciously."A strong theoretical foundation is the basis of good corporate practice" – this idea, along with grounding in the practice of management forms the underlying theme of the flagship Post Graduate Programme (PGP).

Spanning two years, the programme is benchmarked against similar programmes of the best business schools in the world. Experiential learning, IT orientation, and social sensitivity are some of the unique features of the programme.

Situated atop a scenic hillock, the beautiful 193 acre campus provides an ideal backdrop for some of the brightest minds in the country to work at their best to become the best they can be. To back this up, IIM Indore has a solid infrastructure ranging from a very beautiful campus and hostels to a strong IT backbone and the latest teaching aids. The geographical proximity to the fastest growing industrial belt in India and the presence of Special Economic Zones around Indore provide the right environment for giving hands-on experience to the students and also enable the industry to make use of the management expertise available at the institute.

IIM Indore Management Canvas-the quarterly business magazine, is the students' publication of IIM Indore. It is a forum for the students of IIM Indore as well as the industry experts to share their insights, ideas and views. The vision is to combine this student perspective with the experience of professors, alumni and corporate in a unique business magazine which seeks to provide a platform for the dynamic and vibrant energy on campus and create a synergy of such positive energy with the vibes of the time to address the current challenges and issues facing corporate India.

IIM Indore's achievements in such a short span of time can be attributed to its innovative spirit, its will to excel, and, to the relationship it has developed with the Indore community.

Eminent Guest Authors who have written for IIM Indore's business magazine:

Anand Mahindra Ravi Sharma Kamal Upreti Vishwakumar Ramasubramaniam Subroto Bagchi Krishna Gopal Shubhasheesh Anand Girish Mehta Vikash Mehrohtra Ramesh Nair Harjiv Singh Gautam Ghosh Shiv Kumar Purnendu Kumar Gaston Legurburu

From the Faculty's Desk

It gives me great pleasure and pride to introduce to you the first edition of the IIM Indore Management Canvas- the quarterly students' magazine of IIM Indore. IIM Indore Management Canvas gives a unique opportunity to our students to show case their talent and establish a dialogue with practicing managers even as they prepare themselves to take up careers in the corporate world.

The magazine has quite a bit of history attached to it, starting off as an in-house magazine of IIM Indore with the name iMag. It then underwent a transition, and repositioned itself as the students' magazine, which is also meant for the corporate world. The objective of the magazine is to bring forth the happening issues in the business world and analyze them from a student's perspective. At the same time, the magazine also incorporates articles from the corporate honchos, with a few articles from the corporate featuring in every edition, as 'Guest Speak'. The topics cover the whole gamut of management including finance, marketing, IT and strategy, with each edition covering a few articles on the selected theme.

I wish the team all the very best for the coming editions! I take this opportunity to request the corporates to support this unique initiative of budding managers from IIM Indore.

- Prof. Ganesh Kumar N
PGP Chair, IIM Indore

Today, India is positioned in an era of change, transitions and of flux with the economy going down, then up, and slowly recovering again.

What remains, or should remain unchanged, is the grooming of future managers and their links with the world of business. The pedagogy of an MBA programme may be reviewed, revised and updated just as the curriculum should be, but the aims and the attention to competency development should remain untouched.

With this in view, at IIM Indore, as a member of the faculty, I am glad that the initiative has been taken by our participants to experience hands-on - the planning and execution of an effort at bridging the corporate and the academic worlds. It has come to fruition in the form of this magazine.

This expression, after all, is one of creativity, which, as we know, is important for any artist or person wishing to paint his canvas in the colours, and shapes that he or she envisions. Moreover, it can only enrich the world around us with multiple perspectives. The endeavour to interact and to dialogue with the corporates, will enhance in manifold ways the worldviews of both, of this I am certain.

The fostering of understanding and relationships should create bonds reaching beyond differences of thought and experience. I do wish the Management Canvas a journey that will take us to places hitherto unexplored and look forward to changing us all for the best in the most difficult of worlds!

- Prof. Abha Chatterjee
Area Chair, General Management
Faculty Mentor, Management Canvas

From the Editor's Desk

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DEAR READER,

You must be wondering whether this is the same business magazine from the stable of IIM Indore, as it was a few months back. I must say that the question is only fair. Not only have we changed the name of the magazine, but we have also merged two separate publications from IIM Indore, namely- iMag and iCANvas. iMag primarily expressed the views of students, whereas iCANvas, had more industry inputs. iMag came up with articles on issues before leading business magazines did. On the other hand iCANvas had articles from the industry leaders of the likes of Mr Anand Mahindra and Mr Subroto Bagchi, to name just a few. Each had its own advantages and successes.

We have decided to marry the benefits of both to give birth to the new- IIM Indore Management Canvas. Although IIM Indore Management Canvas has a rich legacy of its parents to bank on, yet it doesn't want to be encumbered by it. That begs the question, as to how this magazine is different from the rest, and what is its purpose?

Well, ours is not a magazine steeped in current-affairs-only, or a factual magazine published every week, nor is it focussed on only a single vertical like finance. Being students of management, we focus on fresh ideas which might change the business landscape of tomorrow. That is the picture we want to paint in our Management Canvas. We would like to focus on the business possibilities of the future by having a deeper understanding of the present scenario.

In this first issue, we have a diverse set of articles specifically handpicked to cater to the interests of a wider audience. The article on Microfinance, advocates the necessity for embracing it to reverse the fortunes for those at the bottom of the pyramid. The article on NeuroMarketing explains the fMRI_ technique, the promise it holds and its present applications in various industries in the developed nations, to better understand the consumer psyche. We also have views from the industry experts. Mr Sandip Kar talks about the world after the financial crisis, with his views on the 'New Normal'. Mr Viswakumar Ramasubramaniam, AVP of CTS enlightens us on the potential of Cloud Computing in this networked world. In the wake of India being an invitee to various G-X meets, Mr. Harjiv Singh, MD Gutenberg Communications emphasizes why India should focus on its soft power. The article on Green IT emphasizes that we should also be conscious of our environment even as we embrace IT in an increasing way. The penultimate article on Management Philosophy presents an interesting similarity between ancient wisdom and the modern, Maslow's hierarchy of needs.

Having given you a flavour of what to expect, let's reiterate that our magazine is a newborn, and we are still exploring various options to make it richer and insightful for our readers. That is where you, our beloved readers, play a significant part. While this new magazine is still taking baby-steps, we would like you to pour in your views and suggestions to make this magazine even better.

Best Wishes,

Arijit
Arijit Das
Editor

Table of Contents


SOME GIRLS HAVE ALL THE LUCK
SLIDEROBES

A Year After – Yearning for Normalcy

Sandip Kar, Senior Vice President & Regional Business Leader – East Corporate & Institutional Banking, YES Bank Ltd.

GuestSpeak

The global economy and markets suffered what economists called a 'sudden stop' after the disorderly failure of Lehman Brothers in mid-September last year. It is a shock which has initiated intervention from governments to a massive extent leading to government deficits and government debt in virtually every systemically important country in the world. Left to its devices, the global economy would have gone through an even more wrenching cleansing process. Additional institutions would have fallen and larger market segments, across the globe would have been dysfunctional. In the process, the balance between public and private sector has shifted and also the erosion of trust amongst counterparties. Such trust may take a long time to restore.

Unlike an economic recession, a financial break-down can cause lasting damage to the growth in potential output as also to its level. Even when the economy begins to expand, it may not regain its earlier pace. Financial crisis can pose such a threat to national income because of the way they erode national wealth. From start of 2008 to May of this year, the crisis knocked USD 30 trillion off the value of global shares and USD 11 trillion off the value of homes, according to Goldman Sachs. At their worst, these losses amounted to about 75% of world GDP. Even with such enormity, it is not immediately clear why such losses would leave a lasting decline in economic activity. In fact, output often picks up in a process of reconstruction. The answer lies on the other side of the balance sheet. Before the crisis, the over priced assets held by banks and households alike were accompanied by vast debts. After the crisis, the assets were shattered but the liabilities remained standing. Such balance sheet recession was also what damaged Japan through a bubble in property and stock prices in 1990s from where it could never rebuild and recover to earlier growth rates.

> Financial break-down caused losses of about 75% of the world's GDP

The New Normal

In May 2009, Pimco – the biggest bond manager in the world handling around USD 840 billion on behalf of pension funds, universities and other clients – held its anticipated 'Secular Forum', with the purpose to look into the next five years of economic future. After 2 ½ days of the session, the analysts were in agreement that the financial 'markets will revert to a mean, but it will not look anything like that of recent years'. The world has changed in a manner that is unlikely to be reversed over the next few years. The world economy is fitfully getting back to normal, but it will be a 'new normal'.

This notion of a New Normal is convincing. Researchers estimate that American spending is about USD 760 billion short of returning the economy to full employment. Coming years would expect a world of muted growth with a continuous shift away from G-3[1] to the emerging economies led by China, India and Brazil even as they try to compensate for weak demand in rich countries

[1] USA, China & Japan – the three largest national economies.

GuestSpeak

World economy is fitfully getting back to normal, but it will be a 'new normal'

by significant pickup in the consumption of their rapidly expanding middle class. China has become the world's biggest lender to America through its purchase of American Treasury securities, which in theory would allow it to wreck the American economy. While the thought seems academic, there have been recent Chinese articles citing the example of Soviet Union, which exploited Western economic disarray during the depression to acquire industrial technology from desperate American sellers.

To make a positive contribution to growth, stimulus spending must increase each year, else the economy will suffer from reduced growth. The crisis will place a heavy toll on public finances, according to the IMF. Economic decline and fiscal rescues will increase gross government debt in the advanced G20 countries from an average of 79% of GDP before the crisis to 120% forecast for 2014. IMF has projected that by 2014 only two advanced economies – South Korea and Norway – will have primary budget surpluses big enough to ensure fiscal sustainability. Governments would therefore have to balance these two risks while ensuring that endless public spending do not crowd out private investment. Raising taxes would be necessary but an exercise that needs to be handled with surgical precision – Japan is a case in point of premature increase of consumption tax in 1997 which proved fatal.

De-Risked, De-Levered & Re-regulated (DDR)

The banking system will be a shadow of its former self. With regulation more expansive in form and reach, the sector will be de-risked, de-levered and re-regulated. The forces of consolidation and shrinkage will spread beyond the banking sector impacting non-bank financial institutions and the investment management industry.

Since the crisis, world's governments had injected USD 432 billion of capital into their banks, according to IMF and guaranteed bank debts worth USD 4.65 trillion. America now holds 34% in Citigroup, Britain owns 43% of Lloyds and 70% of RBS; Brazil's state development bank the National Bank for Economic and Social Development, expects a jump in disbursements by 40% this year and state owned Indian banks have increased their share of lending to 74%of the country's total.

By summer this year, 33 American banks have repaid the capital the government had injected into them. But the state still has a large stake in the financial system beyond its status of an investor. Governments will do their utmost to avoid a repeat of the collapse of major institutions and the related chaos. This is a double edged sword as it involves nurturing large, complex financial institutions to operate with an implied State Guarantee giving them competitive edge in borrowing money and expanding business, thereby making them a bigger liability for governments in the future. IMF points out that it was the top five American banks by assets, which had the lowest capital ratios. These same banks suffered the biggest loan losses in the crisis. They received about 2/3 of the government's capital injections as they increased their share to 63.5%.

> Government support to financial institutions will be a double-edged sword

For them, the risk of insolvency has been mitigated with public funds (socialized).

In the next few years, there will be significant hurdles to the historical pace of growth in potential output. Excessive regulation, higher taxation, and government intervention will be among the factors that will constrain the growth potential output. There will be a growing tendency of companies to rely more on their own resources. Profitable firms will grow, and since they will be having lower leverage, they would be also be less likely to default. However, the problem would be compounded in developing economies where the financial system often fails to channel funds to companies that make the best use of them. In Mexico as per a 2003 study, for example, small firms with less than USD 200 invested in them had rates of return as high as 15% per month suggesting they were starved of capital. In contrast, rates of return for firms with more than USD 900 invested in them were often negative, suggesting they had over-invested in themselves. Many companies in the rich world must now feel the same way.

- Some industries are more vulnerable to tighter credits than others. According to IMF, the manufacturing industries most vulnerable to financial disruption are computers and electronics, electrical equipments, plastics and chemicals. These industries finance less than half of their investments from plough back of profits. Self employed entrepreneurs are also heavily exposed as many rely of their houses as main collateral. A second mortgage is probably the biggest single source of start up finance in USA and UK.

Summing up

Financial markets would be de-levered, de-globalized and re-regulated, thereby demonstrating:

- Lower growth and higher unemployment even as the business dynamics shift from industrial nations to emerging economies.
- With few exceptions, price formation will be influenced by direct government involvement.
- Business models would adapt to altered risk and return equilibrium, ballooning government debt and a possible migration of capital structure to just equity and senior debt instruments.
- Evolution of more responsive investment management tools.

(The opinion expressed is that of the author and does not indicate the views of YES Bank Ltd)

GuestSpeak

Network externalities in today's business

Arnav Neil Mukherjee, Gaurav Mathur, Parthosarthy Roy, Saurabh Sumeet Ajay, Srinivas V, Class of 2011

Martin Luther King Jr. Once said, "We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly."

Each purchase, whether a product or a service, has a value. The value is primarily derived from the level of satisfaction of the customer with the purchase. It also comprises the difference between the perceived value of the purchase, and the next best option according to the customer. In addition, the value of a purchase is sometimes enhanced or reduced by the number of buyers. This phenomenon is called Network Externality. Now let's define network externality more profoundly.

In the early days of telephones, it was considered a luxury item as it was expensive and the utility was less than its price. It was equivalent to a showcase object unless one's friends, relatives and more people also have telephones to talk to. But, once a minimum number of people owned it, not only the utility matched the price but it pulled the demand itself.

"Network externality has been defined as a change in the benefit, or surplus, that an agent derives from a good when the number of other agents consuming the same kind of good changes".

Why is Microsoft Windows, by far, the most commonly used Operating System today, in spite of the availability of over a dozen free Operating Systems? One of the biggest reasons behind Windows' popularity is it's compatibility with a variety of hardware and software. But did Microsoft go to each and every hardware manufacturer and make sure it's Software products were compatible with the corresponding hardware? Probably not. In fact, it is exactly the other way round. The hardware manufacturers upped their sales by making sure their goods had the potential to reach as wide a market as possible, thus leveraging Windows' network effect.

Network externalities have two main characteristics : its cyclical nature and a positive feedback cycle

"When the value of a technology, product, or service depends upon the number of other entities using it, the phenomenon is called network externality".

Network externalities have two main characteristics. Firstly, they follow a positive feedback cycle. If the number of users of a product (which has a characteristically high network externality) increases, it attracts more customers towards it, which in turn attracts a higher number of newer customers. This is the reason for the rising monopoly of a few firms in nascent industries. When a new industry is picking up speed, the firms are small in size. But slowly customers start aggregating around a few chosen firms, and the aggregation brings in further aggregation. Secondly, it is cyclical in nature. Let's take the example of a mobile subscriber company which has just launched operations. It needs to bring in customers to get a critical mass, mostly through cheap offers. After the company has acquired an initial subscriber base, more subscribers are attracted to it, and the net value of each existing subscriber increases because of the higher number of subscribers. The existing customers can now call a higher number of users at cheaper rates, assuming intra-network call rates are lower. This positive addition of value will keep taking place, until a very high number has been reached. After the value crosses a threshold, problems will start to crop up, due to congestion of services if the company has not increased the scale of operations. It then becomes paramount for the company to invest and ramp up operations. So the net value addition is cyclical in nature.

> Today's businesses are leveraging this power of networks to increase visibility and gain rapid feedback, enabling them to quickly respond to user demands

Network externalities, over time, can create a bandwagon effect, where a customer takes a decision based on what he sees customers doing. This effect manifests itself subconsciously in the mind of the customer- that he'll be better off doing what others are doing, and derive higher value out of his decision. Many a times however, this may be misleading.

A common confusion is between network externalities and economies of scale. Network externalities relate to the higher value a customer enjoys if users increase. Economies of scale relate to the decreasing cost of production with increase in production.

Network externalities have a variety of applications in various industries. Some of the ways in which they affect the industries are:

- They act as a different platform of marketing known as viral marketing. When the customer or a user buys a product and feels that it is really a nice product, he would recommend it to his friends to have it too. He is promoting the product unknowingly and as this word of mouth spreads, people get inclined to give it a try.

- There are many small software development companies who have created apps for Apple’s iPhone. In many cases, similar apps like Chess Classics and Caissa Chess were launched by different companies simultaneously and were identically priced. Under these circumstances, it would be wise for developers to quickly offer what the competitor is offering for a lesser price, and focus on increasing their market share. As the popularity of the application increases, there will be more downloads and more revenues. A product like a real-time multiplayer game for iPhones could see its sales boost due to extremely positive network effect.

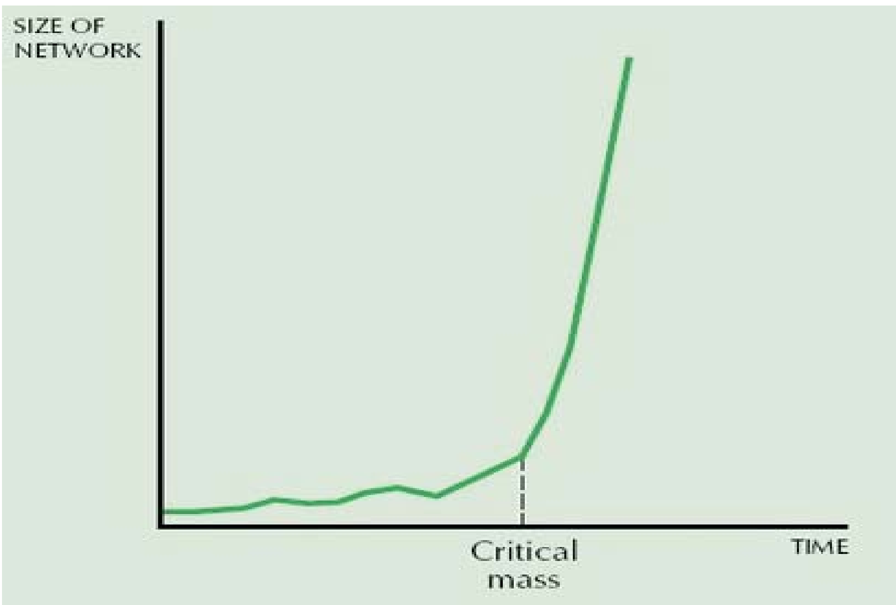
- The present businesses with their advanced technology, globalization and communication have made network externalities even more important. Lots of business models have developed taking the connectivity of the world as a given and basic condition. One is the e-commerce business model which connects numerous sellers across the world to innumerable buyers. The most common example is e-bay. The success of the website accounts to the ever-increasing number of people using the website for purchases and shopping. At the same time, success of the website attracts more business as the people are assured of a wide range of quality products. On the same lines, we have the social networking sites, blogs and search engines which have boomed recently with more and more people accessing them.

- We may also look at the credit card business. As the number of retailers and e-commerce sites accepting credit cards increased, the customers realized the benefit of having a credit card. If they had to pay cash at most of the stores and just a few accepted cards, there was no incentive to keep credit cards. Now from the seller's viewpoint, accepting credit cards involves certain expenses. But since the customers tend to buy more as they do not feel the money going out of their pockets, sellers find it profitable to accept cards.

- In India, a recent battle was fought for the document standards – Microsoft's OOXML vs. the Open Source ODF. When nominating a standard, it is important to analyze the existing customer base for each standard, and the number of organizations using the particular standard. India finally chose to go with ODF.

- In cutting edge areas like cloud computing, network effect has started affecting the fortunes of companies. Amazon, the pioneer in this field, has built a huge lead already. This is because transfer of data within a cloud is much cheaper and hassle-free than between a cloud and an external entity. Thus it makes more sense for more apps to be added to the already existing Amazon cloud. With increasing number of applications going into the cloud, more data will be drawn into it.

Today's businesses are leveraging this power of networks to increase their visibility and gain rapid feedback which enables them to quickly respond to user demands. Once a product or



idea is developed and starts to get a customer base, the businesses aim to create a market where those who do not own that product feel inferior or left out. The overall strategy can be shown by the above diagram.

So far we saw the externalities benefiting the businesses. But just as the cliché goes, too much of anything is good for nothing, enough care is needed before the externalities turn negative. When the number of users increase too much, and the resources provided do not keep pace, the level of service and satisfaction starts falling leading to a fall in the value of the good or service which is referred to as a problem of congestion. This is happening with some mobile service providers in India. With rapid increase in the number of mobile users, the infrastructure is struggling to balance and is leading to dissatisfaction among customers.

In some cases, externalities act in entirely adverse ways. An example would be the case of high premium cars. These cars are status symbols and will remain so if are possessed by a few people. This is the reason, the companies are selective in their customers and choose who have high societal status and have the capability to maintain such cars.

> "I refuse to join any club that would have me as a member."
> – Groucho Marx

Another form of negative network externality is a lock-in situation. This is the case with Microsoft operating systems; most of the users in the market use Microsoft products and hence most of the software are built compatible with Microsoft systems. This has made the entry of other players too difficult as the softwares are not compatible with other systems.

Critics say that externalities tend to keep the system in a comfort zone and pose a threat to innovation. We get used to the flaws and defects in the system. They have also criticized the monopolization of a model or standard. What most organizations must realize is that the network effect plateaus after a while. Facebook may be growing at 6,00,000 users per day but that does not mean that this number adds a lot of value to the existing users. Companies need to continuously innovate, adapt and improve in order to grow rapidly. With such a culture in place, the proliferation and extent of network effect is certain to be greater than that being witnessed today.

Micro Finance - Empowering those at the Bottom of the Pyramid

Arijit Das and Bhavin Shah, Class of 2010

Saying that India is a land of contrasts, may sound like a commonly heard and overused cliché. Be that as it may, it is still quite pertinent in the many opportunities available to India's "have's" and "have-not's". Along with the educational and infrastructural facilities, the wide gap in the financial opportunities available to these two disparate segments can put one to shame. While the I-Bankers, on this side of the Hindu Kush talk of turning Mumbai into one of the financial hubs of the world, there is the majority of the rural & urban poor who are deprived of basic banking facilities. Studies suggest that a mammoth 40% of the population is denied access to any banking facility whatsoever, out of which the major chunk constitutes of rural poor. Can our country attain the much speculated economic-superpower status, with millions of its citizens remaining under-banked ? Its time, we take a closer look at this issue.

One might wonder as to why banking is so very important to our poor countrymen when they don't have access to even basic facilities like safe drinking

Studies suggest that a mammoth 40% of the population is denied access to any banking facility whatsoever

water and sanitation. One only needs to take a holistic view, and understand the rural economy. More often than not, the poor farmer owning little or no land- people who constitute the bottom of pyramid in India, are indebted to local moneylenders. The little earning that they have from their handkerchief-size farm plots are too less to feed them for a year, especially when the farm produce is below normal. In such a scenario they need external funds to sustain themselves and their family. However both private and the relatively altruistic public banks lend only to people who are credit-worthy, and these farmers don't fit the bill. The fact that such people don't have a regular and assured flow of income and lack collaterals only weakens their case as credit-worthy people. Although it might seem ironical, yet the banks, even PSBs don't lend to people who need it the most. For the farmers, the only way out is borrowing from the local moneylender, who charges them rates in the range of 36%-60% a year. Needless to say, the farmer keeps paying interest and never reaches the stage of paying the principal. The debt keeps increasing due to unpaid interest and principal. The farmer only finds himself more indebted , although his earning power doesn't increase. Caught between the devil and the deep sea, the farmers operate in a vicious circle in which they, once indebted to local moneylenders, remain indebted for life, leading to farmer suicides which we hear about so often.

Thankfully, the scenario is not that bad as it seems, at least in pockets of our country. Amidst all these, there is a messiah named Microfinance. Microfinance can be defined as the provision of financial services (such as credit, savings and insurance) to the members of low-income households, which helps them to augment their income. Often the credit is given to a group of people, especially women, and the whole group is responsible for the repayment of the loan. Having started as a fledgling industry nurtured by charities, Microfinance has now won the backing of the big international financial institutions (IFIs), such as the World Bank and the European Bank for Reconstruction and Development. Today there are thousands of micro-financiers serving over 40 million individuals. Many of these lenders now seek a healthy profit and some microfinance companies have done well enough to go public.

Though the concept of microfinance was not new when it was introduced by Muhammad Yunus in 1976, it can certainly be regarded as a revolutionary one. While banks were reluctant to give loans to the poor due to high default risks, Yunus believed that given a chance, the poor would certainly repay their loans. This belief helped him come up with the idea of microfinance through microcredit as a viable business model and thus he set up the Grameen bank in 1983 to extend loans to the poor Bangladeshis. Recently, it has spread its wings in the bastion of capitalism –US as well. The success of this venture captured the imagination of many entrepreneurs and NGOs across India and prompted them to set up their own microfinance institutions.

MicroFinance has been present in India for more than 15 years, and going by past records one can infer that poor people, when given access to hassle free and timely financial services at market rates, repay their loans and use the proceeds to increase their income and assets. They often start small business which taps into the local market and sometimes, even provide employment to other women in the village, when their venture gains some size. Apart from acting as a lender, some of the Micro Finance Institutions(MFIs) also provides an opportunity to save their surplus earnings, and earn interest on it, which otherwise would have remained unutilised. Although the rate of interest charged by (MFIs) while lending, are generally higher than market rates, it is still much lesser than that charged by the local moneylender. Add to it the fact, the MFIs also often advise the borrowers on ways to better utilise their borrowed money and some even train them with certain vocational skills. It not only saves them from the avaricious local moneylenders, but by virtue of Micro-Finance being primarily available to women, also acts an empowering tool for rural women. There are now several thousand registered Self Help Groups (SHGs) and Microfinance Institutions (MFIs) across India. The three largest independent MFIs are SHARE Microfin, BASIX Finance and SKS.

To understand the necessity of MFI's presence we can make a simple, back-of-the-envelope calculation to estimate India's demand for Micro-Finance. Home to some 1.13 billion people in 2008, India constitutes approximately one sixth of the world's total population. Of these, however, about 390m people are still below the 'Poverty Line' earning less than US $1 per day and rural India constitutes to about three quarters of the total poor population. Assuming that there is one microfinance client per household and given that there are on an average five members in one household, the number of microfinance clients ranges from 58m to 77m. This translates to an annual credit demand of US$ 5.7 to 19.1 billion (INR 230 to 773 billion) assuming loan sizes between US$ 100 and 250. If we assume that the low-income but economically active population including small and marginal farmers, landless agricultural labourers, and micro-entrepreneurs, are also potential microfinance clients, the annual credit demand goes further up to an estimated 245.7 million individuals and US$ 51.4 billion (INR 2.1 trillion) in annual on-lending requirements. This only underlines the need for MFI's and its tremendous potential for growth in India.

At this juncture it would help to look at the success of MFIs operating in this part of the world. Not very long ago, our neighbouring country Bangladesh caught the attention of the world when its native Prof Yunus was awarded the Nobel Peace Prize for having made significant contributions to the social upliftment of rural women through his Grameen Bank. Closer home, recent studies show that there are some 250-300 MFIs operating in India. Some like SHARE Microfinance Ltd has done considerable work and has gained international recognition for it. It has grown from 8 branches and 8136 clients in Mar 2000 to 307 branches and over 8 lakh clients in June 2006, making it one of the fastest growing MFIs in the world – no less an achievement. Lest one might feel that they just give away money, a look at their risk portfolio would allay such misconceptions. Their share of total loans outstanding for more than 30 days is only 4.6%, meaning that almost 95% of the loans are paid in time. Based mainly in Andhra Pradesh it was instrumental in pulling out many rural households from below the poverty line and handholding them to eke out a decent lifestyle. There are other such success stories like SKS Microfinance , Activists for Social Alternatives(ASA) etc.

While the need for proliferation of MFIs is obvious, there are other aspects where the MFIs would do well to look into. If Microfinance, as is envisioned, is to be the tool for inclusive growth, it has to increase its efficiency apart from casting its net wider. The time has come when MFIs need to innovate, often at the local level to see what works and what doesn't. With the increase in the number of MFIs it is felt that they would be better off if they share their experiences and learn from each other. Their collective wisdom should enable them to draw up strategies to make some policy changes which would enable them to be cost effective, useful, pro-poor and thereby penetrate further into the market. Also, till now the beneficiaries of MFIs have primarily been rural women, however as is obvious, the urban poor women are no less deserving of their blessings (read: credit). Some of the MFIs which has deposits of the savings of poor, should utilise these funds in an efficient manner so that it earns the maximum interest possible. This may require it to pool its funds and invest in Mutual Fund/Equity and other financial instruments while being cautious of the associated market risks. In that way it will be able to give higher returns to the poor whose savings although minuscule and erratic are nevertheless 'finance', which can be better utilised, in this age, where we are flooded with various investment options.

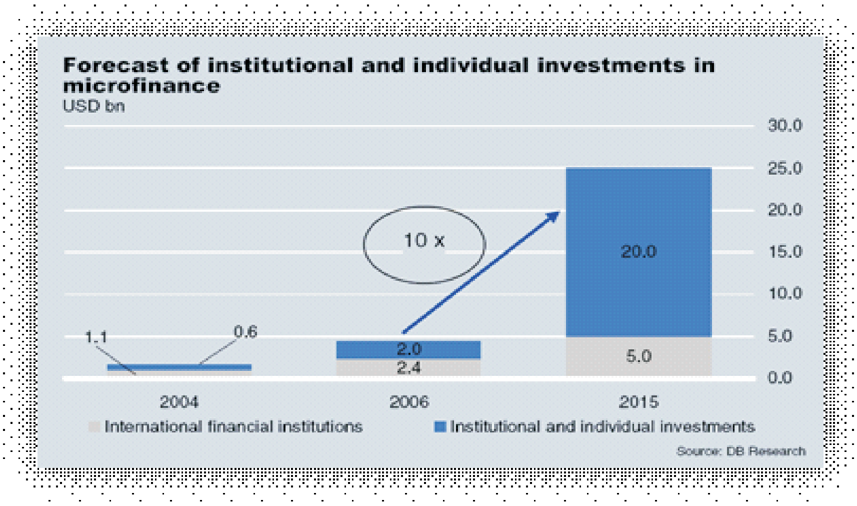
Let's look at some of the innovative models that have been created my MFIs. Consider the case of Fullerton India which is based in Mumbai. It follows a unique model of neighbourhood financing with a focus on mass market clients within a radius of 5km from its branches. Indian Bank has several MFI branches focussed on the Urban Self Help Group model which includes an informal association of up to 20 members who meet at regular intervals to save small amounts. Satin CreditCare was comfortable with lending to individuals since its inception primarily to cater to their working capital needs. However, it has now graded itself to adopt the joint liability lending model. Ujjivan, another MFI follows the group lending model and it lends to every need, be it working capital, consumption, education, health or housing. During emergencies, money is handed over the counter, to address the clients concern. Interest rates are around 1.25% a month. Ujjivan has also gone as far as to introduce a festival loan so that the lenders can celebrate the festivals with pomp and splendour.

However not all MFIs are innovative like Fullerton India nor did they have a stupendous growth like SHARE, in fact many are run only if they are supplied with subsidies and government support. They

> A mechanism that allows collection of deposits from the poor apart from loan dispersals can lend strength to the sector, thereby addressing a crying need of the poor

need to realise that lending on mass scale can only be achieved if they adhere to market fundamentals and streamline their operations. Put simply, they should be economically self-sustainable. There is also a tremendous opportunity in urban microfinance, especially in offering services such as savings, insurance, remittances to special products etc. The absence of savings in the Indian microfinance context (barring a few exceptions) is referred to as 'walking on one leg'. A mechanism that allows collection of deposits from the poor apart from loan dispersals can lend strength to the sector, thereby addressing a crying need of the poor. A fine example of this is the Bank Rakyat of Indonesia, which serves 30 million savings' clients and 3 million borrowers and has $3 billion in savings and $1.7 billion in loan portfolios. This is a self-sustaining model indeed.

They should also work on cost-reduction which they can achieve through simplified and decentralized loan application, approval and collection processes, for instance, through group loans which give borrowers responsibilities for much of the loan application process, allow the loan officers to handle many more clients and hence reduce costs. They can increase their operational efficiency by having a working partnership with their formal financial counterparts. Most microfinance organizations in India still use paper to record their transactions in three basic locations: passbooks, collection sheets and office ledgers. A loan officer who has about 400 customers with two products each has to make about 2400 manual entries a week. This means that he has to make about 1,25,000 entries a year – a mind boggling number by any count. The fact to note here is that we are talking about a primarily low-skilled workforce. A missed zero or transposed digit could result in erroneous results. So, there is a need to digitize the process.



Software can be created that is simple to teach and learn. It should contain simple forms in which the loan officer can feed data for each applicant and an internet connection, enabling him to send the data immediately to a centralized location. There should also be a provision to have backups since electricity is unreliable in many of the villages. A simple solution to this could be to use car batteries.

The informal sector financial institutions could form a joint venture with formal sector institutions in which the latter provide funds in the form of equity and the former extends savings and loan facilities to the urban poor. In the coming years, funds from financial institutions promises to be one of the key drivers of this industry. While many commercial investors see the industry as an emerging asset class, it will be critical to invest in large capacity to channel capital and maintain growth and financial performance.

Under such symbiotic relationships, the informal sector institutions (e.g. MFIs) would be able to tap additional resources as well as have an incentive to exercise greater discipline in their resource (read: funds) management.

The experiences obtained through the operations of successful as well as not-so-successful MFIs offers us valuable lessons. Firstly, the poor repay their loans and are willing to pay for higher interest rates than commercial banks provided that access to credit is provided. The group pressure and incremented lending in future, provide strong repayment motivation and produce extremely low default rates. Secondly, the poor save and hence microfinance should provide both savings and loan facilities. These two findings imply that banking on the poor can be a profitable business. It would be ideal to enhance the creditworthiness of the poor and to make them more 'bankable' to financial institutions and enable them to qualify for long-term credit from the formal sector. The MFIs provide economic empowerment to the people at the bottom of the pyramid,

which in turn leads to making them customers with financial muscle, and not just beneficiaries of subsidies and farm loan waivers. When the people, who benefit from MFIs, are considered as customers by the market forces, it will automatically devise goods and services which fulfil the needs specific to this class and thereby lead to overall improvement of their lives. That apart, the credit provided to the female members of the household, makes them earning members of the family and often enables them to have more say in the day to day activities of their household. This in turn reduces domestic violence towards women and better future for the girl child. This is social empowerment from the grass root level without getting trapped into the quagmire of,

various seemingly-noble but ineffective, governmental loan waiver policies.

Let us take an illustrative example. Saryamma and her husband were landless labourers who earned about $1 a day. Frequent drought in their village often made work and food scarce. Circumstances compelled Saryamma's husband to become a bonded labour - a form of indentured servitude that still exists in India, so the family would have enough money to eke out a subsistence living. Her eldest son was forced to seek work rather than attending school.

In 2002, Saryamma joined the empowerment program by SKS and recruited four other women from her village who wanted loans. In line with their group-lending model, each loan was linked to the others: if one woman couldn't pay her small weekly instalment, the rest of the women chipped in; if she refused to pay, the others pressured her into meeting her obligation. Saryamma initially borrowed $200 to buy a buffalo so she could sell the milk. She took one year to repay, in weekly increments of $4.50. In subsequent years, she took out other capital loans, eventually adding three more buffalo, a cow, two acres of land, and a pair of bulls to her portfolio. Her family's net income has increased to $10 a day, propelling her firmly into India's lower middle class. Her husband is now free from bonded labour, and Saryamma's youngest children are the first in the family to attend school.

Microfinance is a tool whose potential we have just started to realise. As and when the MFIs make further innovations in their operations it might open up new vistas and lead to further socio-economic upliftment, especially for those, who are ignored by the market forces and looked down upon as burden by various governments. If the Micro Finance Institutes can cast its spell, wide and deep into the Indian hinterland, the so-called 'Bottom Of the Pyramid' can do justice to its name, by being the bedrock of Indian society, over which the relatively well-heeled but thinner layers are built onto.

NeuroMarketing - 'See' what the Consumer thinks!

Arijit Das, Class of 2010

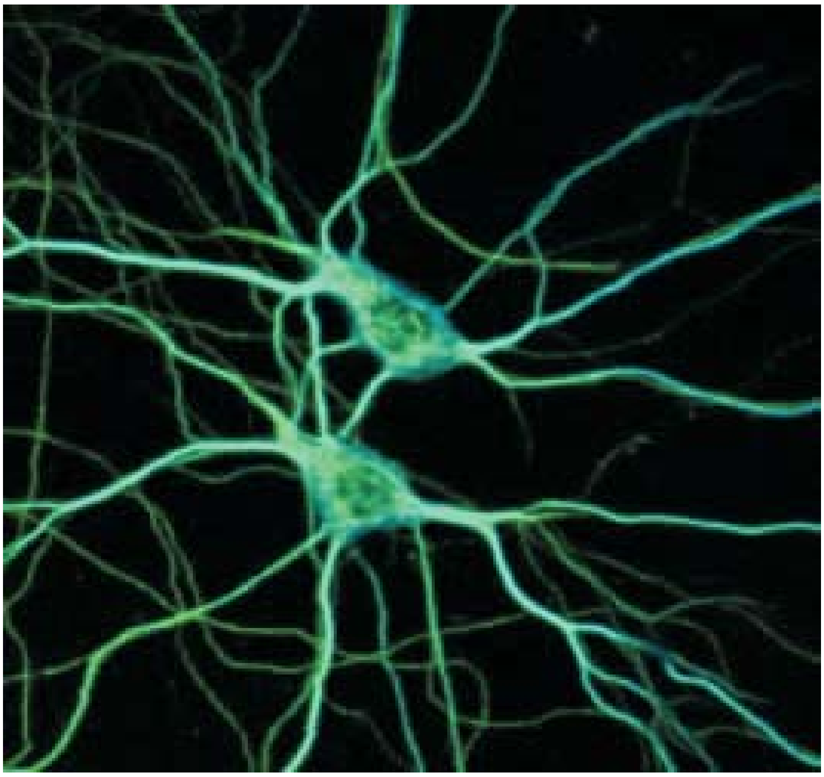
Coke or Pepsi? Well, the explanation lies not in our taste-buds but within the connectomes (read: neuronal connections) embedded in our three-pound brain. A study conducted few years back found that participants had no significant preference of Coke over Pepsi when they were administered drinks anonymously in a blind taste. Yet when they were told as to what they tasted, there was a marked increase in the number of participants who preferred Coke.

While the test was conducted, the researchers at Baylor College of Medicine also used fMRI (functional Magnetic Resonance Imaging) to monitor brain responses. When the participants tasted the drinks, only the sensory part of the brain lit up. Whereas when they were told what they were drinking, the area associated with emotional response also became active. This is also when the scales tilted towards Coke. What is at play?

Participants themselves are not aware of the processes going in the brain

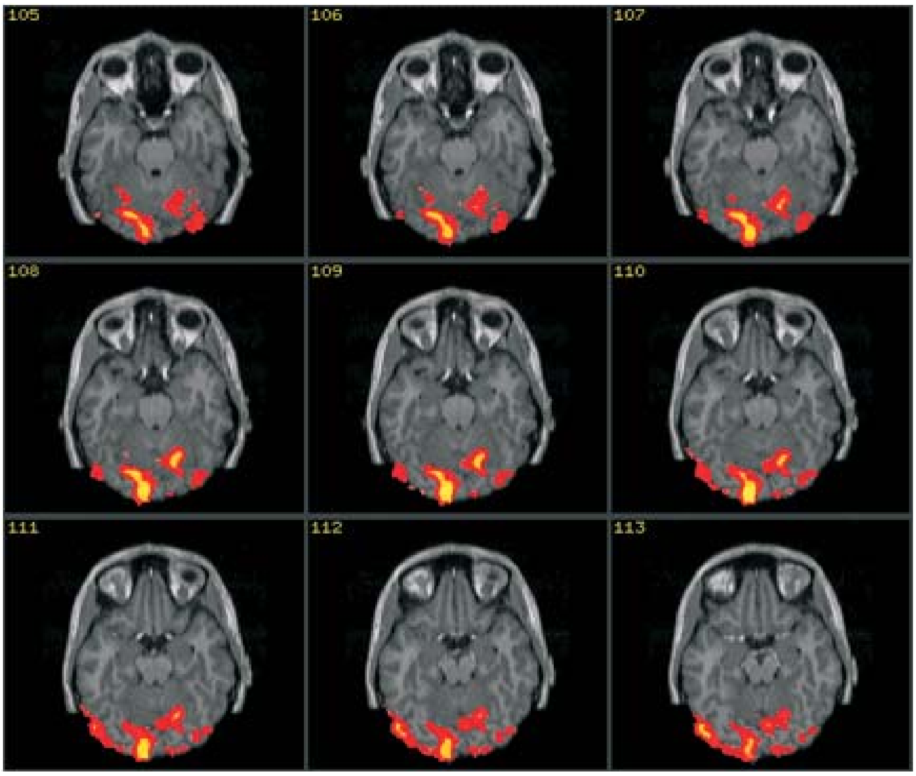
The response is not confined to Pepsi or Coke but is common to various other similar brands. This begs the question as to why people are willing to choose one brand over the other when they are not actually getting anything significantly different in terms of functionality. The question might have confounded marketing researchers for years, but with traditional methods of marketing research they are ill-equipped to decode the consumers' decision making process.

This is exactly where the fledging area of consumer research known as NeuroMarketing comes to the fore. It is basically an application of Neuroscience- the science related to understanding the functioning of brain, in marketing. It first originated in the works of Gerry Zaltman of Harvard University, in the early 1990s. Although expensive, it is pregnant with the promise to fully understand



consumers' decision making process while shopping. Traditional methods of marketing research have attempted to look at the human brain as the Black Box. The responses to the questionnaires and focussed group discussions are used to understand what actually goes inside the human brain. However all these have significant limitations, not least the inability of many to articulate their complex and often involuntary feelings towards something. The participants tell the marketers what they think, they are thinking. Yet they themselves are not aware as to what exact processes are going on in the brain. Scientists, Neuroscientists to be specific, say that close to 80 percent of the human emotions that slosh around in the approximately $3x10^{11}$ neurons in the brain, are rooted in the unconscious which are inaccessible to our direct, conscious introspection. Hence the participant filling a questionnaire, despite his best intentions, is himself not aware of the rationale behind preferring a particular product. They miss out the activity of the bio-chemicals in the brain which plays a significant role in choosing a brand. Advanced technologies like fMRI, magneto-encephalography, and more conventional electroencephalograms (EEG) can do exactly what the conscious mind of the participant misses out.

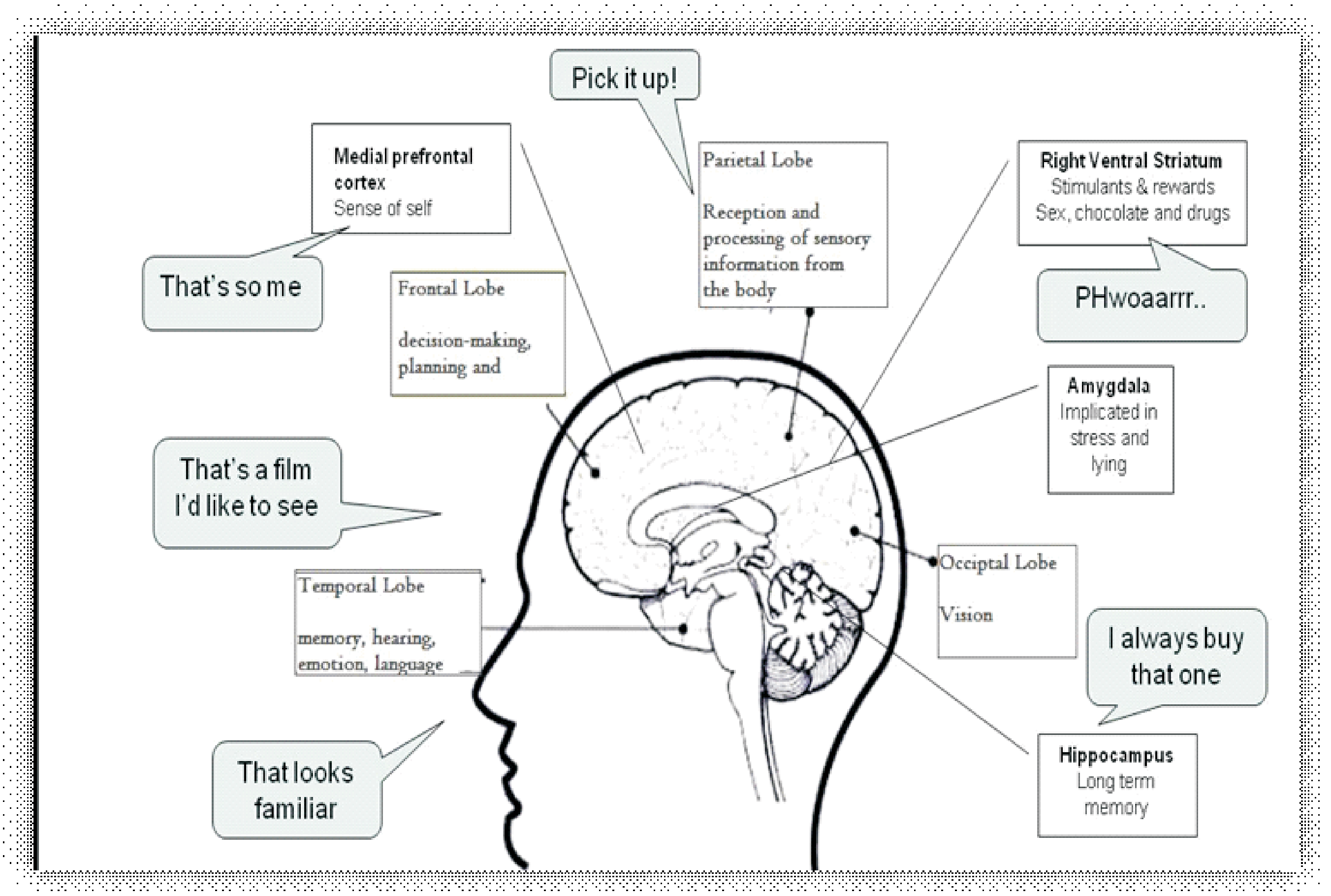
At this point it helps to understand what exactly these technologies do to unravel the workings of a human brain- thereby making them so potentat consumer research. fMRI - an acronym of functional Magnetic Resonance Imaging is a technology which uses basic physics and biology. It uses a powerful magnet and radio waves to create high resolution image of the living brain. It draws on the fact that the Red Blood Cells(RBC) in the blood contain iron in the oxygen-carrying- part of the hemoglobin and these atoms create distortions in the magnetic field around them. While any part of the brain becomes active, the blood vessels in the specific region dilate causing more blood to flow in that region to supply the additional oxygen and glucose required by the more active brain cells to do their work. This large amount of freshly oxygenated blood in to the region causes a small change in the magnetic field.



The result is displayed as a patchy area of colour, amidst the high resolution grey background of the brain. The coloured area represents the active region as opposed to the grey background which represents the inactive region of the brain. Armed with such high-resolution 3D images of the brain on a real time basis, one can pinpoint exactly which part of the brain is active.

This area-specific knowledge plays a significant role in the utility of fMRI.

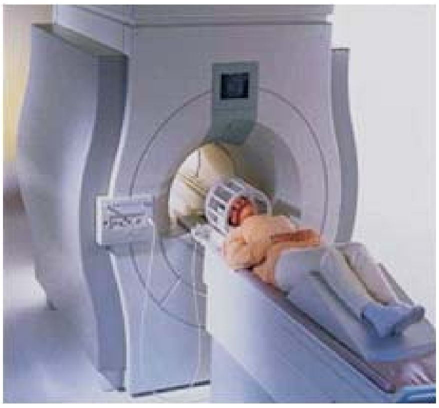
Armed with high resolution 3-D images, one can pinpoint exactly which area of the brain in active



Several parts of our brain work together. Even as you read this article, the connectomes related to your visual sense along with the ones responsible for reading and understanding the material are working. Each region with a rich intermesh of neurons is responsible for a certain activity. The more you stress on any activity, the more the work done by that part of the brain and more the blood flow in that region. The interesting part is, the region responsible for each activity is well demarcated in the human brain. It is the same for all human brains. While the whole brain is yet to be mapped by scientists, yet various centres of the brain are already known for various thought processes such as reward centre, face-recognition centre, self-referencing centre, liking centre, anticipation centre etc.

This has path breaking applications in the field of marketing and advertising. NeuroMarketing researchers use fMRI to observe which areas of the brain "light up" when the test subjects view, hear or even smell products. The same applies to test subjects viewing various advertisements. E.g If participants undergoing fMRI are shown a series of advertisements and if for some the medial prefrontal cortex lights up, indicating increased neural activity, one can conclude that the participant is thinking about the product. This is a sure-shot way to test which advertisements have an impact on the viewers mind and which do not. The real time imagery even gives the indication which elements of the advertisement are effective and which are not. They can then focus more on the ones which elicit the right response from the viewer and cull out the ones which fail to do so. More precisely it can be used to learn which elements of the advertisement are responsible

> This is a sure shot way to test which advertisements have an impact on the viewers and which do not

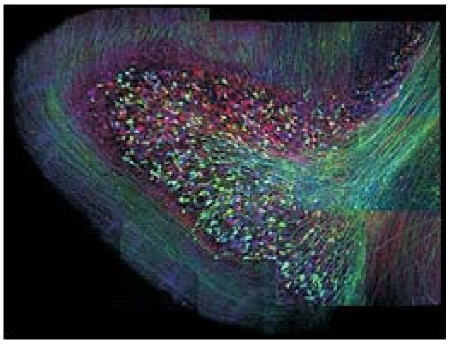


for 'neuroengagement'- things that appeal to us, and which ones for 'counterforce'- our brain's calculated way of trying to avoid such appealing forces. E.g. In a advertisement for Rolls Royce, its look would elicit 'neuroengagement', however its exorbitant price tag would result in 'counterforce'. Such specific knowledge can save the advertisements millions of rupees which are unknowingly spent on elements having no desired impact on the viewer. Having known the consumers' response to various stimuli it equips the marketers with significant fire power to elicit the desired response to their brands.

The effectiveness of this still-nascent field of marketing has already been spotted by some dominant brand building companies. The first company Neurostrategies was started by professors at the neuroscience wing at the Emory University- Dr Clint Kilts and Dr Justine Meaux. Presently there are more than 90 NeuroMarketing consultancies serving various biggies like Coca Cola, Procter & Gamble, Daimler Chrysler and Nestle. They advice their clients, providing insights into the way they should tinker their products, advertisements to boost sales. E.g. Daimler Chrysler has used fMRI to improve its car designs. In a study Daimler Chrysler showed test-subjects images of cars through an fMRI scanner while images of their brains were taken by fMRI scans. The study showed that sports cars stimulate the reward centre of the brain, which is also stimulated by alcohol, drugs and sex. Interestingly enough, when images of the front-view of the cars were shown to the test subjects the area of the brain responsible for face recognition 'lit up'!

However as with any emerging field, there is enough scope of improvement in this as well. In spite of its utility it is still not widely used by the companies. The high price of fMRI test prohibits many companies from trying it out. The fact that the test subjects are subject to brain imaging to understand what they are thinking, is considered to be unethical to many, resulting in a reluctance to participate in such studies and high participation fees. The fact that fMRI machines are cumbersome doesn't help things. Also, the cases where NeuroMarketing is applied successfully are still few and far between vis-a-vis traditional marketing methods, to gain currency amongst the marketers. As more and more successful cases emerge, the suspicion regarding the technique would fade way and acceptance would take root.

Having said that, it needs to be noted that the field of NeuroMarketing is still in its embryonic stage. It is developing with more and more new studies being conducted round the year. The utility of NeuroMarketing is dependent on the development of Neuroscience. As more research studies are conducted we get to explore more and more territories inside the human brain which affect our buying decisions. Our present day knowledge of the functioning of the 'neuronal geography' in the brain is very similar to the late eighteenth century map of the world, hand-drawn by the then cartographers. However with more and more studies and the development of sophisticated technologies like Brainbow,



which can map individual neurons with 90 odd fluorescent colours, the day is not far when we might have the 'Google Earth' of our brain! If a better knowledge of the world geography(read: world map) was instrumental in Europeans venturing out and colonising half the planet, it takes little to imagine the immense possibility that NeuroMarketing has for the marketers in influencing the consumers' psyche.

Cloud Computing

Viswakumar Ramasubramanian,AVP, Global Technology Office, Cognizant

Guest Speak

"Change is the only constant," said Heraclitus, an ancient Greek philosopher. Present-day IT and Business Process Outsourcing is continually influenced and transformed by various economic, political, social and technological factors. As outsourcing evolves, new business models emerge and drive change. Cloud computing is a key technology chapter happening right now that has the potential to define the way outsourcing would be done in the near future.

Traditional outsourcing started with labor arbitrage. It leveraged economies of scale, provided bottom-line benefits and moved jobs offshore. Over the past two decades, it has evolved into transformational outsourcing with value provided through business consulting, rationalization of applications and infrastructure, cost benefits, and so on.

With the advent of Cloud computing, new players have emerged and vendors and IT outsourcing providers alike are seeing radical changes in their operational models. Cloud computing is an evolutionary model of computing by which computing resources such as applications, platforms and infrastructure are provided and consumed as abstract, on-demand utility services accessed over a network.

> Cloud Computing has the potential to define the way outsourcing is done in the future

Cloud computing is a variety of things:

- Business model (to provide various services without incurring capital expenditure)
- IT architectural style
- Computing paradigm
- Natural evolution of programming styles
- Client/server
  - Object-oriented
  - Service-oriented
  - And now Cloud computing
- Extension of the network cloud, internet or LAN/WAN, to include servers and storage
- Elastic, on-demand and scalable
- System with core management functions such as Fault, Configuration, Accounting, Performance and Security Management built in

Clouds can offer three basic services:

- Infrastructure as a Service

(IaaS)
- Platform as a Service (PaaS)
- Software as a Service (SaaS)

Infrastructure as a Service (IaaS)

Infrastructure components, such as physical or virtual servers, storage and network resources, are provisioned and provided as a service over LAN/WAN. The Cloud takes care of provisioning and management of the infrastructure. IaaS provides flexibility on the choice of Operating Systems, Platforms, etc.

Platform as a Service (PaaS)

The infrastructure and platforms are abstracted in the Platform-as-a-Service model. The Cloud exposes an API or provides a web-based service through which applications and data are deployed. PaaS might result in vendor lock-in and loss of heterogeneity.

Software as a Service (SaaS)

SaaS provides applications alone as utility, multi-tenant services. SaaS users benefit from foregoing the complexity and cost of building and maintaining custom-built applications. However, the underlying structures in SaaS cannot be programmed or customized and are rigid in nature.

There are different types of clouds:
- Public Clouds: Internet-based Clouds such as Amazon EC2, Microsoft Azure, Google App Engine, Force.com, Sun Open Cloud, etc.
- Private Clouds: Clouds built inside existing data centers using virtualization and management products such as VMWare vSphere, OVM/Open QRM, 3 Terra AppLogic, Ubuntu /Eucalyptus, etc.
- Hybrid Clouds : Built private but can extend to utilize public clouds
- Community Clouds: Interconnected private clouds of partner organizations

Opportunities and challenges

Cloud Computing presents several opportunities and challenges in the outsourcing business. Some of the future scenarios could be as follows:

The Hybrid Enterprise Data Center

Operational efficiency and increased utilization of distributed infrastructure is made possible by the adoption of cloud computing.

Vendors would start offering private cloud solutions for optimizing the existing infrastructure. However, new procurement for hardware could get delayed. Hardware vendors would target marketing directly to public cloud providers. A new form of IT services retailing is emerging with:
- Public cloud providers playing the role of retailers
- Hardware vendors playing the role of suppliers or wholesalers
- Customers choosing and paying for only what they use

For this, infrastructure outsourcing providers would have to develop new skills to build and manage private and public cloud infrastructure and platforms. Traditional outsourcers would have to work with new public cloud providers and establish commercial contracts. High level of infrastructure automation would have to be performed in the areas of monitoring and management, leading to a reduction in manual work.

> Cloud Platforms would remove the IT barrier for entrepreneurs and allow solutions to reach market quickly

Traditional hosting providers have already started offering cloud hosting services and are transitioning from traditional hosting solutions. They would have to guarantee SLAs and satisfy QOS requirements, which most enterprises demand for their workloads.

Application development and management

Cloud platforms would bring in

a new way of architecting software and modeling data, and pave the way for a newer family of programming languages. They would remove the IT barrier for entrepreneurs and allow for more solutions to reach the market quickly.

Developers and testers would no longer be tied to their desktops. Mobile workforce and telecommuting would soon become viable as organizational policies would evolve to adopt cloud solutions. Already, most of the code development and maintenance in offshore outsourcing companies is performed by connecting to the customer desktop clouds.

Services such as code analysis, build and test automation, continuous integration, auto deployment and self provisioning of applications in production would be provided by the clouds. This would result in improved user productivity and lesser project slippages.

Software, be it ISV-provided or custom-developed, might be used on a pay-as-you-use utility basis, though there is little movement currently from software vendors toward offering licensing models for utility-based pricing of software.

Business process outsourcing

As with any BPO operation, reducing manual labor and increasing productivity would be the key challenges that could be addressed by adopting cloud computing.

The benefits of cloud computing would be leveraged in decreasing the processing time for data-intensive business processes, automation in document or image processing, and publishing. Most call center and CRM applications may not undergo disruptive changes as they are already on a SaaS-based operating model. BPO organizations would eye cloud sourcing for achieving non-linear growth and focus on operational cost reduction with new business models.

Innovative products and services

Business applications and ideas, which are usually put on the backburner for lack of infrastructure or high effort involvement, would benefit. Innovative ideas can be very quickly developed into workable applications and rolled out in a SaaS model.

Cloud computing really helps where there is multi-tenancy and a demand-supply model. Companies with in-house IP and solutions would want to effectively move them to a public cloud model and improve top line from new markets.

New products and services would be tailored and delivered over the cloud and cloud management software and services would gain ground. Presently there are not many standards on interoperability between various Cloud computing solutions. But the rise of open standards would accelerate cloud adoption along with solutions to improve security, large data movement, etc.

Cloud computing represents an interesting shift and evolution in the outsourcing industry. It could truly evolve into a pure utility-based model delivering benefits such as:

- Cost-effective computing with minimal or no capital expenditure
- Efficient utilization of resources and increased automation
- Scale-as-you-grow, pay-as-you-go model
- Capacity on demand (applicable to retailer scenarios where more capacity is required only for the peak seasons)
- Flexibility, mobility and anywhere IT
- Reduced total cost of ownership
- Shorter time-to-market
- Business-focused IT

In the near term, enterprises that have adopted aggressive virtualization would build and use private clouds. In the longer term, as security, lock-in and data movement concerns are addressed effectively, public clouds would become widely accepted.

GuestSpeak

Unlocking India's Soft Power

Harjiv Singh, MD, Gutenberg Communications

Soft power refers to a country's ability to influence others through its culture, history, ideas, music, philanthropy and most of all its weltanschauung. "The greatest source of power in international affairs today", says Joseph Nye, Dean of Kennedy School of Government, Harvard University and the leading proponent of Soft power, "may lie in persuading other nations to see your interests as their interests." Underlying this assertion – persuading others that our respective interests are aligned - is the fact that we live in a world where countries can no longer live in "splendid isolation". Globalization has been the juggernaut propelling interconnectedness and global media the glue that binds people across continents. The proliferation of mass media – television, radio, internet and print media – with its reach across vast swaths of the globe has made it a strategic imperative for countries today to proactively manage their image and perceptions if they are to become a Soft power. Forming, communicating and managing India's appealing attributes in an era of 24/7 news becomes increasingly important to how we are perceived by other nations and peoples. A corollary to communicating our attributes is that we need to contemplate and define the attributes that best define us as a nation.

> Today, we find ourselves, often being referred to as "potential power" inspite of nearly half a decade of record economic growth

The importance of Soft power is underscored by recent events that bear witness to the fact that military prowess alone does not guarantee universal respect. The United States of America, a country that best exemplified effective use of "Soft Power" in the 20th century, has in recent years squandered this most effective instrument of statecraft from its arsenal. Relying solely on military strength and unilateral actions the US alienated a vast majority of world opinion by its military intervention in Iraq, which was widely perceived as blatant unilateralism.

This was not always so. In the immediate aftermath of World War II and throughout the Cold War years the world came to see the US as a beacon not only for freedom and democracy but a leader who exemplified the qualities the world collectively aspired to. The world watched Hollywood blockbusters, listened to Jazz and consumed global brands like Nike and Coca Cola. Universities like Harvard, Columbia and Yale became destinations for the global elite who wanted to pursue higher education at these Ivy League institutions. President John F. Kennedy enthralled the world by outlining a vision for landing the first human on the Moon. Each of these elements of "Soft Power" re-enforced the world's fascination with and seduction by "America". The recent disillusionment with the US's use of hard power rather than soft power does not mean that US has ceased to be a power but rather that it has opened up an opportunity for an alternative world view. Barack Obama's election as the 44th President of the United States promises to revive the way the US is perceived globally.

So where does India stand in terms of Soft power potential? Today, we find ourselves often being referred to as a "potential power" inspite of nearly half a decade of record economic growth. To be acknowledged as a global power India needs to unlock its vast potential to be a Soft power. We are uniquely positioned to tap into the characteristics - an ancient culture, expanding economy, vibrant democracy, spirituality, diversity, and a widespread Diaspora – which provide India with core attributes that are attractive to the World. Examples of success abound, Bollywood today reaches an audience twice as large as that of Hollywood; our Information Technology industry competes globally; Yoga has become mainstream in the west, and even the IIT's and IIM's have become synonymous with world class education. India's philanthropic efforts in the reconstruction of Afghanistan and more recently the aid offered to countries affected by the tsunami underscores our concern for the world around us. For India to truly become a tour de force in the community of nations, it needs to look at its weaknesses and turn them into our biggest opportunity by offering the world a new vision, a vision that would have to be rooted in our own success.

India can become the architect of a new dream; a dream that would undo the misery of poverty, a dream for a global understanding, a dream for creating a world that shall be a better place tomorrow than it is today. This dream can only be accomplished by taking bold steps and articulating attributes that will inspire others to believe in India. As India enters the second decade of this new century with all its concomitant possibilities, it can become a global power by becoming the arbiter of a world that offers opportunities to the vast majority who live below poverty levels, a world free of prejudices, a world engaged in dialogue and learning, a world where global consciousness will encompass the realm of social, cultural, political, environmental, religious and economic understanding. Like any good edifice the foundation of India's vision would need to be re-enforced with its own success in creating a better future for its citizens. Positioning our values to a global audience to gain recognition as a Soft power in itself is not an end; rather I hope it will be a journey that will compel us to introspt on our strengths and weaknesses as a nation.

> The proliferation of mass media with its reach across the globe has made it a strategic imperative for countries today to manage their image and perceptions if they are to become a Soft power

Green IT

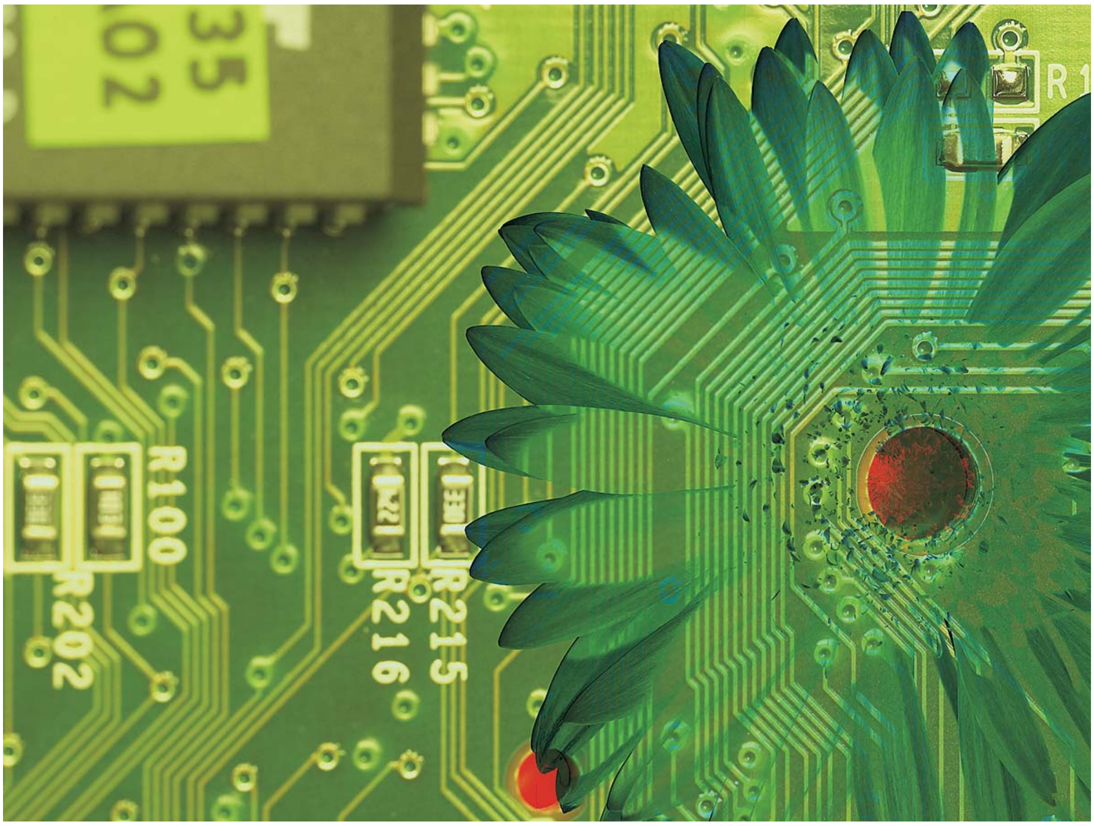
Onkar Deshpande, Class of 2010

In the current global scenario, businesses have come to be defined as entities having to satisfy all the "stakeholders"—and not just their shareholders. Rising energy prices, together with government-imposed restrictions on carbon production, are increasingly impacting on the cost of doing business, making many current business practices economically unviable. This, coupled with the need to achieve sustainable growth in an increasingly competitive environment, has encouraged modern businesses to adopt radically new business models. It has become imperative for all businesses to act in an environmentally responsible manner. Companies are competing in an increasingly "green" market, and must avoid the financial penalties that are being levied against carbon production.

IT has a large role to play in all this. Today, businesses face the need to innovate while keeping the preservation of the eco-system at the core of the innovation. All sustainable development requires a fresh approach to IT and power, putting power consumption at the forefront in all aspects of IT – from basic hardware design to architectural standards, from bolt-on point solutions to bottom-up infrastructure build. The IT function of business is driving an exponential increase in demand for energy, and businesses have to bear the associated costs. More and more IT companies are now changing the way they operate in order to reduce their carbon footprint;

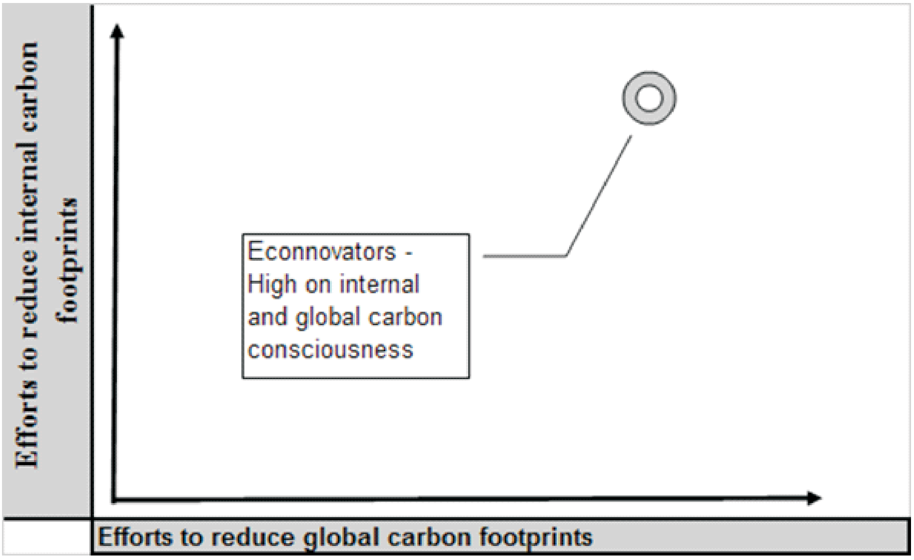
All sustainable developments requires a fresh approach to IT and power

and the triple bottom line (3BL) consisting of profit, people and planet, has assumed great importance. No longer can businesses merely concentrate on economic performance. They also need to set up a framework to monitor their performance on social and ecological fronts.



So how do businesses revamp their models to achieve eco-efficiency? Eco-innovation implies switching over to a technology that, along with lowering the total cost of operations, also reduces the pressures exerted on the environment. To the data center manager, it is a means of controlling rapidly increasing energy costs, while also trying to control increasing demands for space and cooling. To the eco-scientist, it is a means of achieving socially desirable goals.

According to the U.K. government figures, 1 kWh produces 0.51 kg of carbon dioxide (CO2). Therefore, a typical computer produces about 1200 kg of CO2 every year!



Carbon Footprint—Role of the ICT industry

Just how much does Information and Communication Technology (ICT) contribute to the deterioration of our environment? Let us try to understand the detrimental impact of modern ICT systems on the ecosystem through an empirical treatment of the carbon footprint left by the use of a single desktop computer.

- A typical computer uses about 0.65 kilowatt-hour (kWh) in use, 0.35kWh in stand-by mode and 0.03 kWh in hibernate mode.
- Assuming that the computer is used for 220 days of the year with 12 hours in operating mode and 12 hours in stand-by mode, the total energy consumed by this computer is given by (0.65 + 0.35) x 220 x 12 = 2640 kWh.
- Assuming that the computer is in hibernate mode for the remaining 145 days of the year, it consumes 0.03 x 145 x 24 = 104 kWh. Therefore, a typical computer consumes about 2744 kWh of energy per year.

According to U.K. Government figures, 1 kWh produces 0.51 kg of carbon dioxide (CO_2). Therefore, a typical computer produces about 1200 kg CO_2 every year! This makes allowance for the fact that with current nuclear capacity some 15% of electricity is generated without producing any CO_2. This means that a single PC costs an insignificant amount to run (about £16.00 per annum), but generates 1200 kg of CO_2 per annum. Spread this across a distributed desktop environment of 2,000 PCs and you have an annual carbon footprint of 2400 metric tonnes of CO_2! Put together the figures of all computers in the world, and you have a mammoth amount of carbon being released into the atmosphere each year, as much as 3 to 4% of the total carbon generated in a year!

Experts at Global Action Plan, the U.K. based environmental consultancy firm, have warned that the IT carbon footprint is skyrocketing and is poised to surpass the aviation industry in terms of annual CO_2 generation. Furthermore, they say that an average server creates the same amount of carbon as a SUV which does 15 miles to a gallon of fuel.

The common contributors to an ICT company's carbon footprint can be classified as follows:

- Energy consumed by the

organization
- Waste material generated due to upstream and downstream activities
- Use of stationary items, especially paper for printing
- Travel

According to the Silicon Valley Toxics Coalition, e-waste is the fastest-growing part of the waste stream. As per the Environmental Protection Agency, e-waste accounts for *2%* of the municipal solid waste stream in the US alone. Given the toxicity of e-waste, the toll exacted by it on public and environmental health is considerably higher than what the *2%* figure suggests. More than a thousand different chemicals, such as lead, mercury and cadmium, used during electronics production, have been linked to cancer, reproductive problems and other illnesses.

According to the Silicon Valley Toxics Coalition, e-waste in the fastest-growing part of the waste stream

This empirical analysis demonstrates that the IT industry is a surreptitious, yet significant, contributor towards increasing the amount of CO_2 in the atmosphere. Needless to say, IT organizations need to modify their business processes and incorporate a 3BL approach in order to achieve sustainable growth with minimum environmental costs. A successful attempt of this kind by the IT industry can then be emulated by other industries as well. The good news is that many leading organizations, such as Accenture, IBM and Patni Computer Services, have realized this fact and have begun to reinvent themselves to be "Green IT" providers.

Mitigating the ICT carbon footprint—Econnovation

The ICT companies require channeling their efforts towards revamping their current business processes in order to econnovate (Econnovation: innovation to reach ecological efficiency). The focus needs to be on the two broadly defined areas:
- Reduction of CO_2 generation within the boundaries of the organization
- Transformation of the economy into a low-carbon, eco-friendly economy, through the application of ICT technology

Businesses can track their performance in these two focus areas through the model shown above.

According to a Forrester research, the ICT industry consumes about 2-4 % of the global energy. Therefore, bringing in efficient systems would be an excellent measure for reducing the amount of energy consumed.

Efficiency in energy consumption can be brought about in two ways:
- Producing more energy efficient PCs, servers and data centres. One way to reduce energy consumption by computer systems is to explore the possibilities of virtualization, which enables simultaneous deployment of multiple operating systems and applications on the same computer system. Some virtualization platforms can run across hundreds of interconnected physical computers and storage devices, creating an entire virtual infrastructure. Virtualization has the potential of saving a lot of energy, and can hence reduce the carbon footprint significantly.
- Designing better office premises that use solar energy during the day, without compromising on aesthetic needs.

As per the Environmental Protection Agency, e-waste accounts for 2% of the municipal soild waste stream in the US alone

Many organizations are now looking to reduce the damaging impact of their operations on the environment through Environmentally Preferable Purchasing (EPP), often referred to as Green Purchasing. EPP is the affirmative selection and acquisition of products and services that most effectively minimize negative environmental impacts over their life cycle of manufacturing, transportation, use, and recycling or disposal. Companies can build power and e-waste solutions into their budgets and RFPs (Requests for Proposal). IT managers can implement the same kind of methods on their own or their partners' business processes. In addition, when building RFPs, IT managers should ask questions related to vendors' manufacturing processes, such as whether the products to be purchased are made of environmentally sensitive materials or take advantage of recycled plastics.

The Modern Green Revolution

The greening of the technology industry is an emerging trend that is being adopted by a growing number of businesses, and with good reason.

The Silicon Valley Toxics Coalition estimates that there are 500 million obsolete computers and 130 million cell phones in the US that are disposed off every year. Companies need a recycling plan that effectively addresses equipment obsolescence. This includes factoring the costs of recycling into a company's technology budget. Both the Environmental Protection Agency (EPA) and some state environmental agencies mandate the proper disposal of e-waste. Responsible recycling is one way to ensure that toxic materials in electronics equipment do not contaminate groundwater, or exude pollutants into the air. However, a better solution is to restructure manufacturing processes to ensure that potentially hazardous ingredients are eliminated altogether. For example, California's Department of Toxic Substances Control requires companies to manage the disposal of CRTs with the same caution and care as they would manage hazardous waste.

Modern IT organizations have begun re-inventing their products and processes to be more eco-efficient. IT behemoths like Sun Microsystems and Microsoft sponsor and drive active recycling and reuse programs designed to keep electronics out of the waste stream. Apple also processes all its e-waste in the US to ensure that it is not improperly recycled overseas, where less stringent regulations have resulted in polluted land, air and water. Following the EPA Energy Star guidelines, Dell, among other vendors, has created several desktop and notebook products that consume less than 5 Watts in low-power mode. Vendors including Apple and Microsoft have developed power management features that help control energy consumption by a computer.

Dell Corporation has made significant changes to the way it carries out its business. It has introduced the "Green" OptiPlex 755 desktop, which consumes 70% less energy than its predecessor. The OptiPlex 755 consumes $21 in energy per year, as opposed to $100 consumed by a previous generation. The Dell Corporation has also started the "Plant a tree for me" program, under which a tree is planted for every Dell PC sold. The company also keeps track of its suppliers' carbon footprints.

India Inc. has also realised that it has a significant role to play to promote Green IT as a clean and environment-friendly way of doing business. There are considerable efforts to spread awareness in this region—the Asia Pacific Green IT Conference 2008 held in Mumbai from September 17th 2008 bears testimony to these efforts. Infosys Technologies has been awarded the Best IT Implementation for the Year 2008 by PCQuest for its Green IT Implementation project at its Chandigarh development center. In accordance with the company's efforts to reduce its carbon footprint, the project aims to convert legacy IT infrastructure to a "green" system through a futuristic solution that leverages the benefits of virtualization and blade technologies. The project, although requiring huge capital investment and having a low ROI, will ultimately lead to substantial power savings as well as reduction of carbon footprint by as much as 490000 kg, which is equivalent to planting 4000 trees and throwing 244 cars off the road!

Feasibility of Eco-Efficient Initiatives

The question to be answered about econnovation is: is it practically feasible and economically viable in today's world??

According to a Forrester survey, about 85% of IT professionals were of the opinion that environmental factors should be taken into consideration while planning IT operations. However, only 25% of these had actually implemented the green criteria in their company's purchasing processes. On the flip side, only 15% IT professionals are sufficiently aware about their vendors' eco-efficient and green initiatives. This clearly highlights the lack of awareness about eco-efficient processes among the global community.

In the current recessional scenario, other important issues have cropped up. Would the recession derail these "green" initiatives? How would investments in green technology get affected amidst ripples of slowdown? Would CIOs consider "green" initiatives as an extra burden and cut IT spends, or would they consider long-term benefits and invest more? As of now, there is no evidence of a major impact of the global slowdown on investments in IT. Companies do not appear to be cutting down on their IT budget just yet. In fact, many companies have increased their budget allocations to IT, in order to implement CRM, SCM and ERP. The focus is on reducing the inefficiencies in the current processes and supply chains, and to improve customer relationship for sustained business growth, with reduction in the cost of doing overall business by implementing good software.

Interestingly, IT would rather support than impede a business progress in a not-so-bullish scenario such as the one prevalent today. IT can play an important role in helping a company tide over recession. Going green would also add brand equity, helping a company differentiate itself from its competition in an increasingly environment-conscious world.

The purpose of IT is to make businesses more productive and efficient, and to save money. Businesses are competitive bodies, used to having to 'do more with less' in order to remain competitive. They will have to learn to use less electricity in just the same way, using green (sustainable) computing to save money. This will demand major changes in IT user behavior and policies. As energy and infrastructure costs continue to increase exponentially and environmental considerations become more widespread, there is a real need for a power-based IT optimization strategy, bringing power right to the fore of IT policy, thereby impacting the end-to-end architecture, hardware and software, and all the day-to-day processes undertaken to support a company's workflow

Conclusion

As society becomes more environment-conscious, businesses are being forced to become more responsible for the impact of their operations, both legally and morally. A business owes this duty of care not only to its shareholders and employees, who demand that it should invest wisely and generate income most efficiently, but also to society. Businesses must start to think green for pragmatic economic motives, and not just for environmental and ethical reasons. A more efficient and frugal approach holds out the promise of saving really significant amounts of money—both by reducing the consumption of energy, and by avoiding penalties for producing too much carbon. Eco-efficiency and Econnovation are the need of the hour, and have the potential to transform our world into a low carbon economy.

Cutting the Long Tail Short

Gokul Kandhi, Class of 2009

What The Long Tail theory shows is that as the world moves towards the digital era, the economics sees a paradigm shift by making it profitable to have customized products, unlimited choice and thus revealing the true face of demand . Borrowing from the idea of Long Tail , I will apply it to the rural shelfscape. The rural shelf is populated by what the Long Tail theory calls as the “Hits”, products that have made themselves profitable to be kept there. This is achieved either by the scale economies the product enjoys or the sales volume it generates or in most cases of rural shelf, value for money it gives.

Research shows that the rural customer is aware of most of the products in the FMCG market. According to MART, a New Delhi-based research organization that offers rural solutions, rural India buys 46% of all soft drinks sold, 49% of motorcycles and 59% of cigarettes. This trend is not limited just to utilitarian products: 11% of rural women use lipstick. Hence demand does exist. From the supply side, every company now looks towards rural India for growth. Though intent and market power is enough from both sides of the market, a yawning gap exists in the rural shelfscape.

For every product that makes it to the rural shelf, there are countless others that don't. And a huge proportion of these products fall in the “Choice Set” of the consumers. They do not make it to the basket set mainly because of a single reason : The Economics of reach. The cost of reaching the marginal retailer becomes greater than the profit generated by him. The Long tail diagram adapted to rural India shows that the present infrastructure and quality of demand has kept the high profitable area(The Hits) to a

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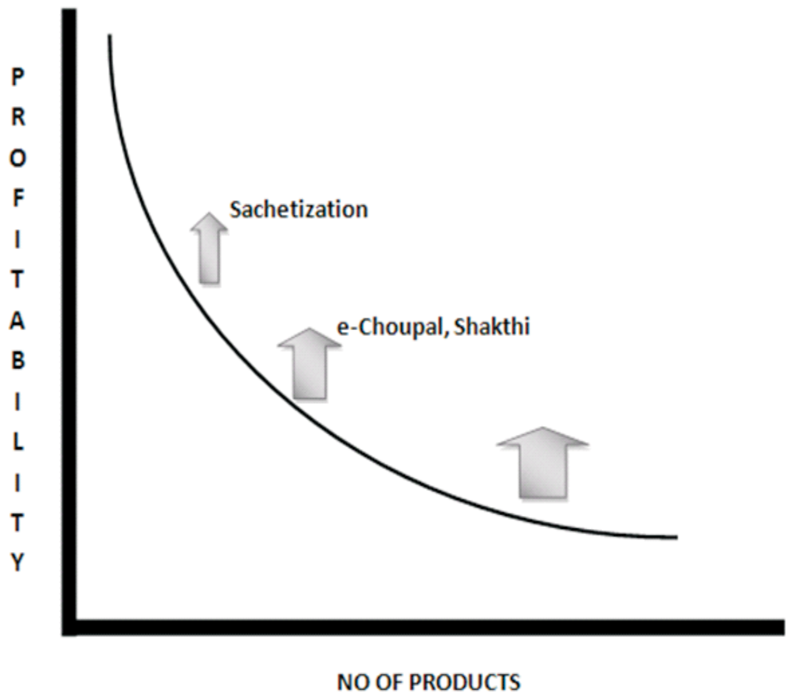
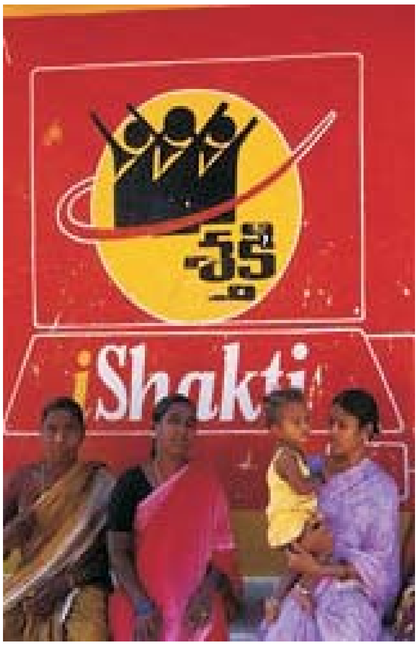


restrained minimum. The hits are the products that do not need strength in every unit of the distribution value chain. The hits generally are products that do not need strong last mile power and presence. For example, a villager will go to the nearby town to buy his vehicle of choice. In the lowest end, cigarettes need the barest of infrastructure and shelf space to warrant sales.

How do companies that populate the Hits segment in urban India , move out of the long tail? The answer is to revamp their supply chain. The industry has always looked at Rural India as an economically stripped down version of the Urban market. A mindset reflected by their approach to rural presence by offering cheap products and sachetization tendencies. Though effective to obtain shelf space and market share, it is hardly potent in gaining wallet share. The driving force should be the ingenuity of the supply chain.



Sachetization was the first real breakthrough to reach the last mile. Increasing users while compromising on usage, sachetization brought about huge volumes which made reaching the marginal retailer in the dusty rurals a profitable venture to an extent. Sachetization helped on a multitude of aspects- The low cost increased consumption, eased logistics, helped stocking in small stores, was easier to showcase and gain visibility.

Sachetization brought about huge volumes which made reaching the marginal retailer in the dusty rurals a profitable venture to an extent

The next significant process innovation was the intellectual leadership brought about by HLL and ITC.Project Shakti and e-Choupal. Project Shakti is HLL's smart way to use self-help groups to directly cater to 1 million homes every month in villages where traditional distribution systems cannot hope to enter. E-

Choupal is ITC's much-feted business model to build a trading platform with rural India that eliminates nonvalue adding intermediaries. Both models have been discussed and analyzed and their impact duly appreciated. In short what they did was to revamp the supply chain of the companies t o such an extent that it reduced procurement, processing and distribution costs. A strategy that ballooned both the top-line and bottom-line. what it also did was spawn a host of other such initiatives all across the FMCG space. Now, almost all major FMCG companies operating in India have their rural initiatives. Such an organic revamp of supply chain has brought about accessibility and affordability to a wide range of products in the rural scene.

Now, where is the next innovation coming from? Where should companies look at to reduce distribution costs and attain the last mile presence. Borrowing the term from the Australian Biz Wiz Peter Sheahan, companies should look at the FLIP approach. This approach calls for turning conventional business ideas and views on its head and getting counter-intuitive solutions for business problems. Such avenues open up by moving away from the traditional notion of competition and identifying vehicles for rural thrust.

One such avenue will be facilitating the creation of an organized rural retail. Godrej Aadhar, the rural retail initiative of Godrej Agrovet Ltd is an example. Aiming to be a one stop store for all purposes for a farmer, they stock products from leading FMCG companies along with providing complete agricultural solutions for farmers. As the next step, moving away from competition, Aadhar has taken the route of co-option and partnering to augment its value proposition to the rural consumer. With a tie-up with Apollo pharmacy to bring in 24 hour medical support across all Aadhar outlets, they have brought health to rural doorstep.

Aadhar has taken the route of co-option and partnering to augment its value proposition to the rural consumer

Identifying financial services as another major growth driver, they have entered into a tie up with Bajaj Allianz to offer the latter's life insurance products to rural consumers. The company is charging only the rental and other basic facility charges to Bajaj Allianz for providing products at Aadhar. The increase in footfalls is the driving motive here. Now the sourcing arm for Future Group's retail business, Godrej Aadhar is a great study of how organized retail is feasible and highly profitable.

Nothing works in rural India like emotional connect. This has been well understood and worked on by the direct selling initiatives in the new age of rural selling. Hindustan Unilever Network, though not a purely rural initiative, is making great leaps in this regard. With an array of products that do not appear on regular shelves, they cut down on distribution and advertising costs to add more value to their products. With highly targeted products they have been able to increase both users and usage in the rural game.Moving away from traditional delivery models, companies can partner to send mobile vans stocked with products from participating companies to rural areas. They can share the operation costs and let free market rules apply in the selling end. This will ensure that companies can get the last mile connect at a reduced cost. Such partnering can happen with two non-competing companies or products from noncompeting categories.

The final stages of innovation that will bring the rural market to urban standards will be the ones that enable profitable presence of luxury goods in the rural shelfscape. Judging by the present pace at which the industry is chugging along, the utopian scenario won't take too long to materialize.

Advert 'O real!

Dr. Tejas Bhat, Class of 2009

It took me a whole 2 page article in a reputed magazine to realize that I was actually reading a cosmetically modified version of the good old advertisement for a car manufacturer. Turns out, advertorials are a rage this season and more and more publishing houses are resorting to them to bring in the extra moolah. For the uninitiated, making an advertorial is really simple. Take a fresh advertisement, peel it thoroughly of all catchy phrases, add two cupful of words, a couple of matter-of-fact pictures and an "article-type" heading. Add a pinch of positive statistics, and Voila! You have got an advertorial! If this was a touch too dramatic for your tastes, an advertorial, in simple terms is an advertisement designed to look like an editorial or a news/magazine article. These are less obvious, but highly effective forms of advertising, with quite a few companies paying big bucks to place their advertorials in reputed publications.

An advertorial allows an advertiser to tailor his or her message to the magazine in which it appears. This allows them to blend in seamlessly into the magazine content and thus achieve a perceived endorsement from the magazine. Unlike traditional advertisements, they are not designed to hard-sell brands. These days, they make advertorials so well, you can't tell an advertorial from the editorial! The purpose of an advertorial must not be to fool the reader into believing that they are editorials. For, if the reader finds out the truth, he might not take kindly to the fact that he was being taken for a ride! The essence is to communicate to the readers that it is an advertiser-placed content which offers extra value as compared to a regular ad in terms of entertainment or information. As the fast spread of the internet is redefining advertising strategies, websites and blogs are jumping into the advertorial bandwagon too. In short, the best thing about an advertorial is its credibility.

> The best thing about an advertorial is its credibility

Advertorials can come in various shapes and sizes. They can vary from a very no-nonsense-kind of advertorial, such as those in journals targeting doctors, to a glossy spread in a men's magazine complete with fashion photo shoots. In its July 2003 issue, Maxim men's magazine, well known for its obsession with jokes, booze and scantily dressed women, brought together all three in a special section called "Bite the Big Apple" in which a boring business trip became something else once the subjects of the story opened a few bottles of Miller Lite Beer. The section was produced by Maxim's editors. Advertorials generally work well for products and services where information sells better than images.

Products and services frequently featured in an advertorial form include nutritional supplements, cosmetic procedures, pharmaceuticals etc. In a study conducted by AHMD (Association of Healthcare Media Directors, USA), one of six pieces of creative (three branded ads and three advertorials) and a questionnaire were mailed to a group of 300 primary care physicians. The results show that, in message credibility, advertorials were equally as effective as branded ads. However, advertorials were shown to be more effective than branded ads in terms of generating interest, providing

Nu-Body Solutions
Working to Make People Healthier

By Annette Joyce

Susan Brooks has a vision. "I want to encourage and motivate as many people as I possibly can to live and enjoy a healthier lifestyle," says this spunky Greensboro native. "And I want them to have fun doing it."

Having spent the last 12 years working in upper management for a large weight loss franchise, Susan has acquired a vast amount of knowledge about the weight loss industry. In her former position, she was responsible for nutritional programs, product development, franchising, marketing and employee training. While she saw many success stories, she felt there was something missing. "Weight loss is only one aspect of a person's health," she explains. "I wanted to offer other wellness services." So, Susan started her own company, Nu-Body Solutions.

Located at 2100-E W. Cornwallis Drive, Nu-Body Solutions provides a complete range of weight loss and wellness services. First, there's the nutritional guidance plans. Susan works with a registered dietician to ensure that programs are nutritionally balanced and safe. In addition to a standard weight reduction program, the company offers plans for diabetics, cardiac patients, vegetarians, children and teenagers.

While there are lots of eating plans that can result in weight loss, problems occur when there's no motivation to follow these plans. That's where Susan and her assistant, Wanda Neese, really excel. In their roles as wellness coaches, Susan or Wanda meets one-on-one with each client three times a week. During these coaching sessions, they pass along tips on behavior modification, exercise and proper nutrition. Perhaps more importantly, they're there to encourage, listen and recognize the progress that's being made. This is what Susan likes best. "I feel like everybody has a butterfly inside and I work hard to bring that butterfly out," she says. "I really want to encourage people to be the best they can be and to be as healthy as they can be."

Although Nu-Body Solutions promotes weight loss, Susan is quick to note that it's not all about numbers on a scale. As people exercise, a healthier body loses body fat and gains muscle, which weighs more than fat. The proof can be found in the number of inches that a person shaves off his or her body.

Again, weight loss is not the only consideration in a healthy lifestyle. Susan points out that part of being truly healthy means that your body is getting all the nutrients and vitamins it needs. To make sure her clients are achieving this goal, Susan offers a large selection of vitamins and supplements. A meticulous person, Susan did a great deal of research to find the best products on the market. In studying the *Comparative Guide to Nutritional Supplements*, she found that one manufacturer, Douglas Laboratories, repeatedly ranked as the industry leader. The company's quest to "raise the standard for nutrition and wellness" also runs parallel to Susan's own philosophy.

Along with vitamins and supplements, Nu-Body Solutions features a line of protein bars and drinks. There's also Xango, the original supplemental drink made from the mangosteen fruit. This tropical fruit has been used for centuries for medicinal purposes in Southeast Asia. According to Susan, Xango is a powerful antioxidant that offers numerous benefits including relief from inflammation, general pain, gum disease, fibromyalgia and a host of other conditions. It's also a great energy booster. "Even if you're not on a weight loss program, your body benefits from the right supplements and vitamins," explains Susan.

Detoxification is another vital part of Nu-Body Solutions' wellness program. Body wraps and detox solutions are used to eliminate toxins from the body. During a body wrap, clients are wrapped in cloths that have been soaked in heated baths of minerals and mineral water. Once wrapped, clients relax in a recliner in a candlelit room with soft music. Susan mentions that this hour of soothing detoxification also results in the loss of several inches. For those clients who aren't interested in being wrapped, Nu-Body Solutions has detox products that can be used in the privacy of a client's home.

In opening her new business, Susan worked hard to put together programs and products that would be beneficial for her clients. A self-described health nut and former ballerina, she wasn't always sure of what type of business she would end up in but she knew she wanted to be an entrepreneur. While attending UNC-Greensboro, she got her Bachelor of Science in Accounting, knowing that the business training would come in handy. "I love people but I didn't want to be stuck in a windowless room in front of a computer without touching people's lives," she says with a dazzling smile. "I couldn't be any happier with what I'm doing."

Susan and her husband, Tim, live in Greensboro. They have two children, Tanner, 7, and Jaden, 3. In her free time, she enjoys spending time with her children. She's a member of Gate City Baptist Church, where she volunteers as an Awana* leader.

Susan Brooks

Our Results Speak for Themselves

"The exceptional support coupled with the quality supplements really made a huge difference. Because of the program, I make better food choices and feel energetic and healthy. Also, I don't have the cravings I used to have."

Amy Haynes -
Future Executive
Senior Sales Director
Mary Kay Cosmetics, Inc.

Inches Lost: **35.25**
Pounds Lost: **20**

Nu-BODY SOLUTIONS
WEIGHT LOSS & WELLNESS FOR LIFE

2100-E W. Cornwallis Drive
389-0001
www.nubodysolutions.com

As seen in the Northwest Observer **SEPTEMBER 30, 2005**

> Advertorials allows the advertiser to tailor their message to the magazine in which they appear

valuable information, and provoking follow-up discussions

There, however exists a dark side to the advertorial scene. Approximately 8 out of a sample of 40 are able to distinguish between an advertorial and a regular feature. Advertorials are a common feature in most reputed magazines in India. India Today, Outlook and Week all run advertorial sections. But more often than not, advertorials do not mention that they are paid for advertisements or do so inconspicuously. A deeper shade of dark is evident in the beauty and fashion magazine industry. Beauty product manufacturers who do not advertise in a magazine gradually realize that their products are featured less and less in regular features and may actually get negative publicity. Although these are rare instances, it is almost impossible to monitor the content and style of advertorials.

To cut a long chase short, advertorials have the effect of subtly grabbing the attention of the reader and making them believe that instead of being blatantly sold as a product, they are being provided as valuable information that would guide them in making the right buying decision. Advertorials, if rightly used, can be considered as an effective part of the integrated promotional mix, particularly as a way of complementing hard selling branded advertisements with educational or entertaining topics.

Public Private Partnership in Wind Power in India

Rituraj, Class of 2010

Introduction

India is the one of the fastest growing economies in the world. In the last five years, India has averaged a phenomenal 8.775% growth, as measured by GDP at constant prices. In spite of the ongoing economic downturn faced by the world, India's growth rate is projected to remain the second highest in the world, next only to China.

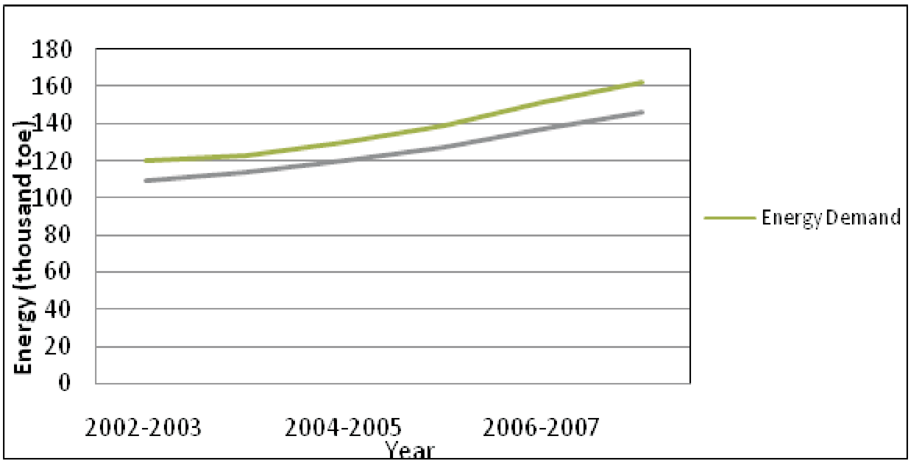
To sustain this tremendous growth led by infrastructure, services and manufacturing, India needs to be 'Energy Self-Sufficient'. India's energy demand has been growing at a far greater pace than its economy. As a result, as seen in figure 1, the gap between the GDP growth and power generation has been consistently increasing since the start of this century. The same fact is reflected in the comparison between the total energy demand and energy availability in India. It is found that India has a total energy-demand deficit of 10% as of 2008 and this deficit is growing year on year at a cumulative annual growth rate of 7.29%

Energy Scenario in India

With an energy demand in excess of 160 thousand tonnes of oil equivalent per year and an equally large amount of carbon emissions, it is imperative that we shift our reliance from fossil fuels like coal and petroleum to renewable sources like wind, solar and biomass.

The share of renewable sources in the installed energy capacity stands at a mere 8.37% at 12194.57 MW, while the fossil fuels still account for the major share of the energy consumption in India.

India's energy deficit has been growing year-on-year at a cumulative rate of 7.29%



Wind power is the largest energy source among the renewable sources. According to the report on Wind Power by the Ministry of Non-Conventional Energy Sources of India, installed wind power contributes more than 70% to the renewable share of the energy capacity of India.

Why Wind Power

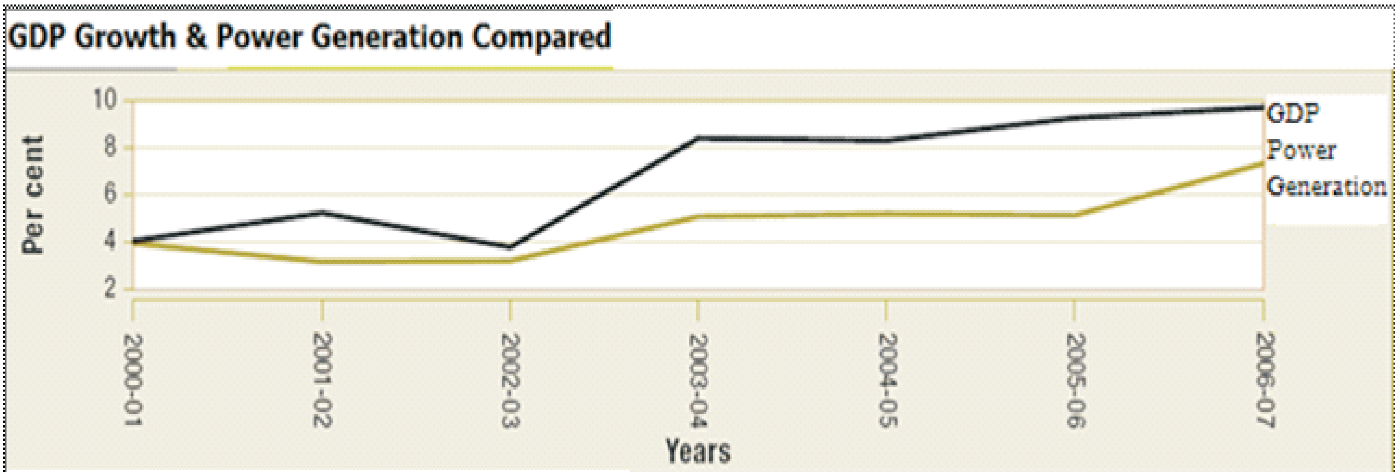
Wind is an inexhaustible source of energy and is one of the most cleanest in terms of impact on the environment. The turbines used produce no harmful emissions and use a perennial source to generate power. The most important economic benefits of wind power is that it reduces the exposure of our economies to fuel price volatility. This is important for a country like India that has to import a major part of its fuel requirement. Wind power also helps diversify the economies of rural communities as it provides new sources of income in rural areas, as well as jobs for people who set up and maintain the turbines or manage wind farms.

> Wind power is the largest and among the cleanest renewable sources of energy

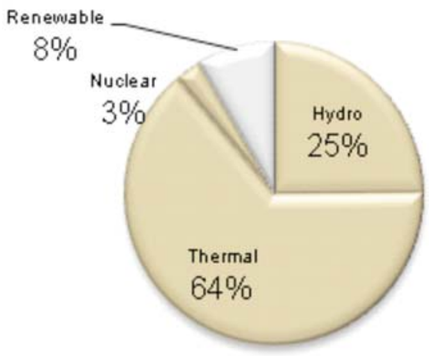
There have been many significant changes in the wind energy sector since the times when we used to see small wind-mills operating in isolated areas, noisily producing little amount of energy that could be used only to draw water. Wind turbines now are typically 100 times more powerful than early versions and employ sophisticated materials, electronics and aerodynamics. Costs have declined, making wind more competitive with other power generation options. Modern wind turbines have been designed to reduce aerodynamic noise. But, there has been some opposition to wind turbine installation for environmental, aesthetic, or aviation security reasons.

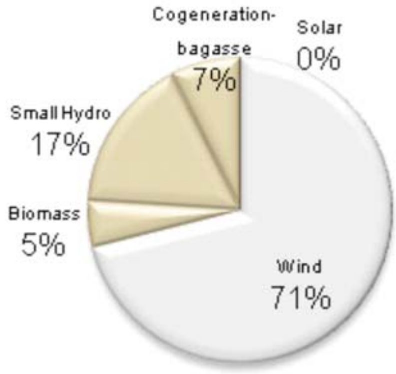
State of Wind Power in India

In India, wind has the highest potential among all renewable sources. The estimated wind potential is 45 thousand



Source: Economic Survey 2007-2008





megawatts, out of which only 8% is being used at present. Figure below shows the estimated and used potential of all the renewable sources.

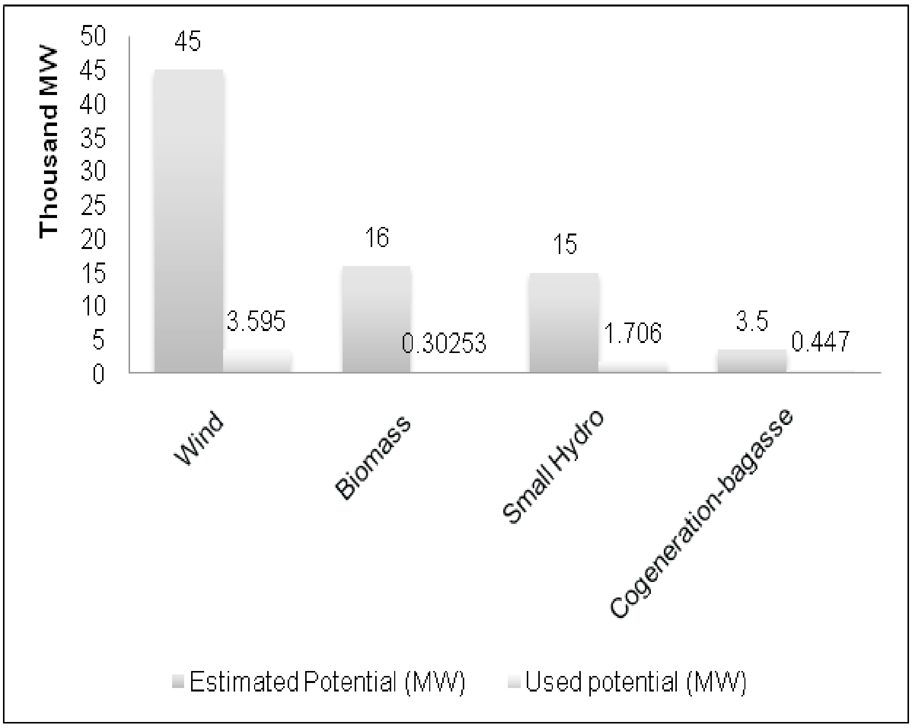
The Government has identified 216 potential sites for wind power projects in the country. These places have a wind power density (WPD) greater than 200 W/m2 at a height of 50 mgal. If we consider the state-wise distribution of estimated wind-potential, as shown in figure below, there are nine prominent states that account for more than 85% of the total wind capacity of India.

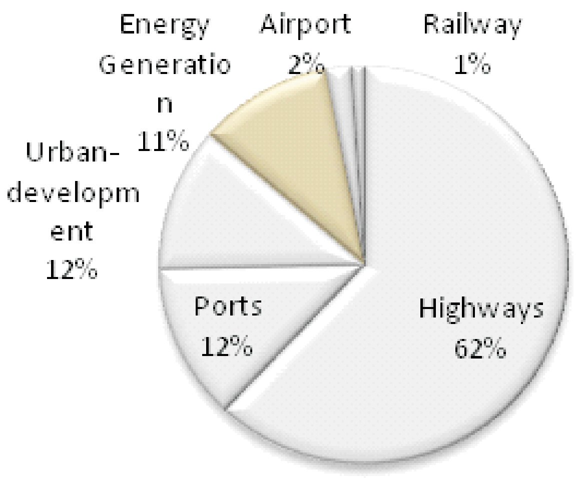
The wind power market in India is unique amongst the current world wind markets. Here, It is the wind turbine manufacturers that are also the project developers for the corporate who were the owners of these wind-farms. The main advantage that the corporate derived from owning the wind farms was the tax shelter granted by the Government. More than 95% of the wind farms set up in India is for companies like Suzlon Energy Ltd, MSPL Ltd, Essel Mining Ltd, Bajaj Auto Ltd, etc. A major part of the electricity generated for the corporate owners are for captive purposes and the excess is wheeled to the state electricity board. The component suppliers like Siva Wind turbine India Pvt. Ltd., RRB Energy Ltd, Ghodawat Industries (I) Ltd play a major role in the wind turbine set up and maintenance.

Characteristics of Public Private Partnership

Public Private Partnership, as the name suggests, is a symbiotic relationship between a private entity and a public or government body for the completion of a project. The main characteristics of PPP is that there is a creation of a Special Purpose Vehicle and the risks in the project are assigned to the party that is best suited to

State	Estimated Wind Potential (MW)	Installed Wind Potential (MW)
Andhra Pradesh	8197	101
Gujarat	6522	219
Karnataka	6281	276
Rajasthan	5846	263
Madhya Pradesh	4520	29
Maharashtra	3727	411
Tamil Nadu	2132	1677
Orissa	1045	0
Kerala	938	2





handle the risk. This creates a 'win-win' situation for both the participating parties, as the project is delivered on time within the allocated budget, in contrast to the delays and cost-over-runs in case only the Government undertakes such project.

Depending on the risk-allocation, PPP projects can be of many types, a few of them are Build-Operate-Transfer (BOT), Build-Operate-Own-Transfer (BOOT), Build-Operate-Lease-Transfer (BOLT).

Following characteristics of PPP make it ideally suitable for infrastructure projects:

State of Public Private Partnership in Energy sector in India

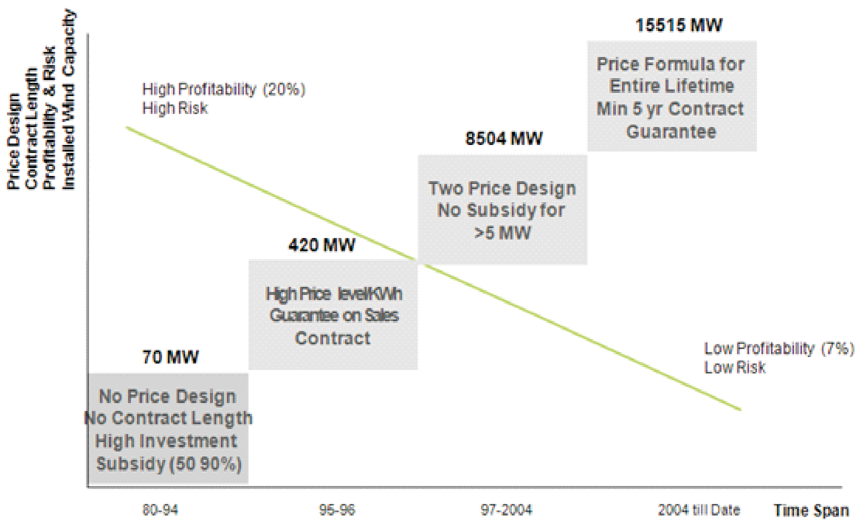
As on 21st November 2008, 280 projects had been sanctioned to be completed via the PPP route, out of which only 32 projects were in the energy sector. The pie chart shows the percentage of various sectors in the PPP pie.

On comparison of the various sectors according to the cost-outlay of the projects, the energy sector accounts for only $ 3.56 billon, which is just over 13% of the total planned outlay for PPP projects. This is mainly due to large investments required in the development of highways and ports. So, PPP in the energy sector in India is in a nascent stage of development, but the number of such projects is growing.

Public Private Partnership in Wind Power in mature PPP markets

One of the countries that has used public private partnership to develop its energy sector, particularly the wind-energy sector, is Spain. In the eighties, there was no price design and no defined contract length in the wind-energy sector. This was coupled with high investment subsidy, as is prevalent in India at present. This subsidy was as high as 50 to 90%, so wind-farms were set up only by the corporate who were interested in getting the subsidy. This led to slow growth and as such the installed capacity of wind-farms was only 70 MW. Since there was a lack of proper price mechanism, the prce-risks associated were also high. Typical profitability during this time was around 20%, mainly due to the high investment subsidy.

During the nineties, the Spanish Government enacted a few laws in this sector and set up



price mechanisms and contracts on the guarantee of sale of electricity produced by wind-power. The price design was single-level, mainly margined higher than the conventional tariff rates. The investment subsidy was reduced in this period and was substituted with the higher tariff structure. This led to a decrease in the profitability as well as risk of the wind power projects undertaken through the PPP route. There was a moderate growth of the installed capacity by 350 MW.

It was in 1997 that the Government introduced the two-level tariff system. It also eliminated the subsidy for wind-power projects of capacity over 5 MW, which reduced the profitability of larger projects. But, the two-level price design, which aimed at eliminating the risk in the operation of wind-farms, was highly successful and the installed capacity rose to astounding 8504 MW in just seven years, from 1997 to 2004. A uniform price formula for the entire lifetime of the project was proposed in 2004, which reduced the risks associated with the setting up of the wind-farms. A minimum contract-guarantee of five years was also introduced which further reduced the risks. This was accompanied by a decrease in profitability of wind-power project which dropped to just over 7%. But, the wind-energy sector in Spain is now in maturity-stage of PPP lifecycle, with 15515 MW of installed capacity. It has transitioned through many stages of PPP in a quarter century.

Effective allocation of risks of Wind Power through PPP

The various risks associated with setting up of wind-farms in India can be effectively addressed through the PPP route, as has been seen in the case of Spain. The main risks that need to be mitigated are as follows:

- High costs
- Technology intensive projects
- Long payback period
- Local opposition
- Dependence on Government Policies for tariff structure

In a typical public private partnership set-up, there is a private player that often brings with it the technology, standardized contract and 'best practices' as experience gained in other PPP markets. The government as the second party of the PPP, allocates favourable tariffs and policies along with concession on import duty and excise duty exemption. There can also be provisions of soft-loan from Indian Renewable Energy Development Agency (IREDA), IIFCL, IDFC and other such bodies.

Once a PPP in wind power is in place, there can be a series of benefits that will help in driving the growth of electricity generated through wind-power. Public Private Partnership can get easy and priority-financing by financial-bodies like IIFCL, IDFC. This can address the major concern of financing of wind-power projects. A PPP also has immunity from changing government-policies, after a fixed policy framework is put in place. It also takes the local community and land owners into confidence and hence avoids running into trouble from their side. The unique characteristic of PPP project is its in-time completion, which avoids cost-overruns. In the case of wind-power projects, escalation of cost is one of the major concerns as it is capital intensive. A Public Private Partnership in wind power projects will also have a economically viable tariff plan through 'Power Purchase Agreement', thus reducing the revenue-risk in the process. Considering these benefits associated with Public Private Partnership, it is imperative that we go for the PPP route in setting up of wind-power projects, if we want to bridge the energy-gap that is hampering the growth of India.

The various risks associated with setting-up of wind farms in India can be effectively addressed through the PPP route, as was seen in Spain

Life Insurance industry in India and the role of Data Analytics

Kishore Pegu, Class of 2010

It has been a natural tendency for the human being to hedge against any unforeseen situation, and protect himself. This has been going on since times immemorial, albeit in an unorganized fashion. If this need to feel safe is so very innate to the human mind then there must also be a business model which captures this as an opportunity. This is exactly what the insurance sector does. It feeds on the basic human need to feel secure.

Amongst the various forms of insurance possible Life Insurance is the most predominant in India. The low life expectancy rate and dismal public healthcare system has only added to it being embraced even by the not-so-rich in our society. The life insurance industry in India has seen a high CAGR of 12% ever since the opening up of this sector to private players in 1999. However with penetration levels still low compared to other developed countries, the market size is expected to double in the next 5-6 years. A look at some of the reports from veritable sources would do well to illustrate the case.

The Capgemini World Insurance Report of 2008 describes the penetration of life insurance in India as 'still woefully low'. India had 16% of the world population, but only 1.68% of the world life insurance market in 2006. India is also far behind world averages in terms of insurance penetration, and insurance density. A mere 20% of the insurable population aged 20 to 60 years is currently covered by life insurance. The average number of policies (life/non-life) held by per Indian consumer is just 1.33 as against 5.2 policies per consumer in mature markets.

> India has 16% of the world population but only 1.68% of the world life insurance market

As we can see from the numbers, the potential for expansion of the market is huge especially with rising per capita income and a growing middle class that is expected to constitute 32% of the total population in 2010. The insurance penetration levels as a percentage of GDP is expected to grow to 6% by 2012 from the current 4.8% which would translate to a CAGR of 13% for the industry in the next five years.

Insurance companies in the developed world, where insurance has much higher penetration, realize the huge potential of insurance industry in India. Add to it the fact that the possibility of Foreign Direct Investment(FDI) cap in the sector rising up to 49% and we have just another factor that holds promise of leading the growth in this industry. Although currently FDI is capped at 26%, it's soon expected to be raised. This will result in increased investment by foreign companies, especially by the foreign partners of private life insurance companies. For instance, Max group is already in talks with its partner, New York Life Insurance to chalk out a plan to increase the latter's stake. Foreign companies who are interested in FDI have deeper pockets compared to the relatively small Indian insurance companies. They bring with themselves the 'best practices' distilled through years of rich experience that they have had in this industry. This augurs well for the insurance sector because the deep pockets and 'best practices' of foreign partners can be dovetailed with the awareness of the Indian psyche and marketing experience of their Indian counterparts to create a synergy which can increase the reach of insurance in India making it more egalitarian.

But, as an increasing number of business houses enter the life insurance industry, even survival is going to be difficult for many companies. In the face of such stiff competition, organizations need to make sure that they put their efforts in the right places like retaining sales agents or minimizing lapsation rate. This is where data analytics comes in, as it helps making informed, analytics driven decisions, in these vital areas.

The combination of volume and complexity in the Life insurance industry makes it difficult to manually understand all the data and its trends

The role of Data Analytics

Insurers have an abundance of data across their organizations, but most have not leveraged the full potential of this data in customer acquisition, underwriting, claims servicing and customer management. Insurers need to improve data collection, prioritize the application of analytics across the customer life-cycle and build an analytics capability to create a sustained culture of data driven decision making.

The insurance business is rich in data but is mired in its complexity. Even new companies less than 5 years old have a million clients. Older and large companies e.g. LIC have over 130 million policies. Insurance policies have a large amount of data, and they are complex in structure, with variations such as benefits, face amounts, schemes, pricing, claims, multiple client relationships, medical history and family history and underwriting.

This combination of volume and complexity is unusual; this makes it difficult to manually understand the data, and its trends. Thus, the insurance business is ideally suited for the application of statistical methods.

Currently, use of statistics is largely limited to actuaries for determination of the insurance premium rates. Statistics can have wide applications in other departments of an insurance company. For instance, the agency department can use statistical methods for combating high agent attrition rates and hiring productive agents. Also, the marketing department can use statistics to identify target customers for cross selling a new insurance policy.

There are many such business problems in different areas that can be tackled using statistical approaches. These include:

Agency department
- Agency force attrition
- Insurance agent productivity and agent success factors

Renewals department
- High lapse in the initial years of the policy

Marketing & sales department
- Identification of customer segment for cross-selling,
- Features to be added to a new product and

Age group	q(x,n)	l(x)	d(x,n)	L(x,n)	T(x)	e(x)
1	2	3	4	5	6	7
0-1	0.06409	100000	6409	95044.3	6234635	62.3
1-5	0.02894	93591	2708.524	367484.1	6139590	65.6
5-10	0.00737	90882.48	669.8039	452737.9	5772106	63.5
10-15	0.00534	90212.67	481.7357	449859	5319368	59.0
15-20	0.00713	89730.94	639.7816	447135.2	4869509	54.3
20-25	0.00985	89091.16	877.5479	443360.4	4422374	49.6
25-30	0.01243	88213.61	1096.495	438428.7	3979014	45.1
30-35	0.01573	87117.11	1370.352	432292.5	3540585	40.6
35-40	0.02035	85746.76	1744.947	424543.4	3108293	36.2
40-45	0.02617	84001.81	2198.327	414761.4	2683749	31.9
45-50	0.03661	81803.49	2994.826	401952.9	2268988	27.7
50-55	0.05475	78808.66	4314.774	383892.1	1867035	23.7
55-60	0.08132	74493.89	6057.843	358240.6	1483143	19.9
60-65	0.12904	68436.04	8830.987	321138	1124902	16.4
65-70	0.1786	59605.06	10645.46	272402.8	803764.4	13.5

India Life Table **Note:** Column-1 to column -7 shows the normal life table understanding customer needs,

- Identifying gaps in product mix,
- Customer segmentation

Operations department

- Reducing turnaround times of new business and policy owner servicing processes
- Fraud detection patterns
- Enhancing product profitability

Let's look at a few examples of how data analytics can be used in some of these cases.

Agent attrition

Since the number of agents directly corresponds to an increase in policy sales, it's very important to retain productive agents. Statistical tools can be used to look into agents' history and profile the productive agents and also predict which agents are likely to leave in the near future. This will enable the HR department to take steps to retain the agent or the sales manager.

Statistical tools like chi-square goodness of fit test or logistic regression can be used to determine the profile of a productive agent or an agent likely to attrite. Predictive models can be built in commercially available tools such as SAS using methods like binary logistic regression, classification trees or neural networks.

Cross-selling

It costs five times more to acquire a new customer than to retain an existing one. Encouraging existing customers to spend more not only increases profit margins but also ensures that the relationship with the customer is strengthened and therefore the customer is less likely to stop paying premiums.

In this process, existing customers who are likely to buy another product are identified and sales campaigns are targeted towards customers thereby increasing the cost effectiveness of the campaigns. Let's take the example, where the Insurance Company knows which one thousand customers out of their one lakh customers have teenaged children; they can target these thousand customers with products tailored to teenaged children. This was just one out of myriad such possibilities waiting to be exploited by the sector.

Today's competitive market has made it imperative that every opportunity to gain competitive advantage be explored and used. The critical link between good decision-making and success has become more important than ever before. When it comes to the business of insurance, efforts to integrate data analytics with the decision making process would be a step in the right

> It is vital to set up proper MIS systems for capturing data apart from having dedicated teams for refining the quality of data

direction. But, as with any analysis, the quality of data analysis is only as good as the quality of data itself. So, it's vital to set up proper MIS systems for capturing data apart from having dedicated teams for refining the quality of the data. Extensive data mining follows thereafter. Achieving all these will get their noses in front in this overly competitive environment by increasing the width and depth of its customer base. When all this happens, we can sit back and relax, without worrying too much about the security needs. Now that's what true development is!

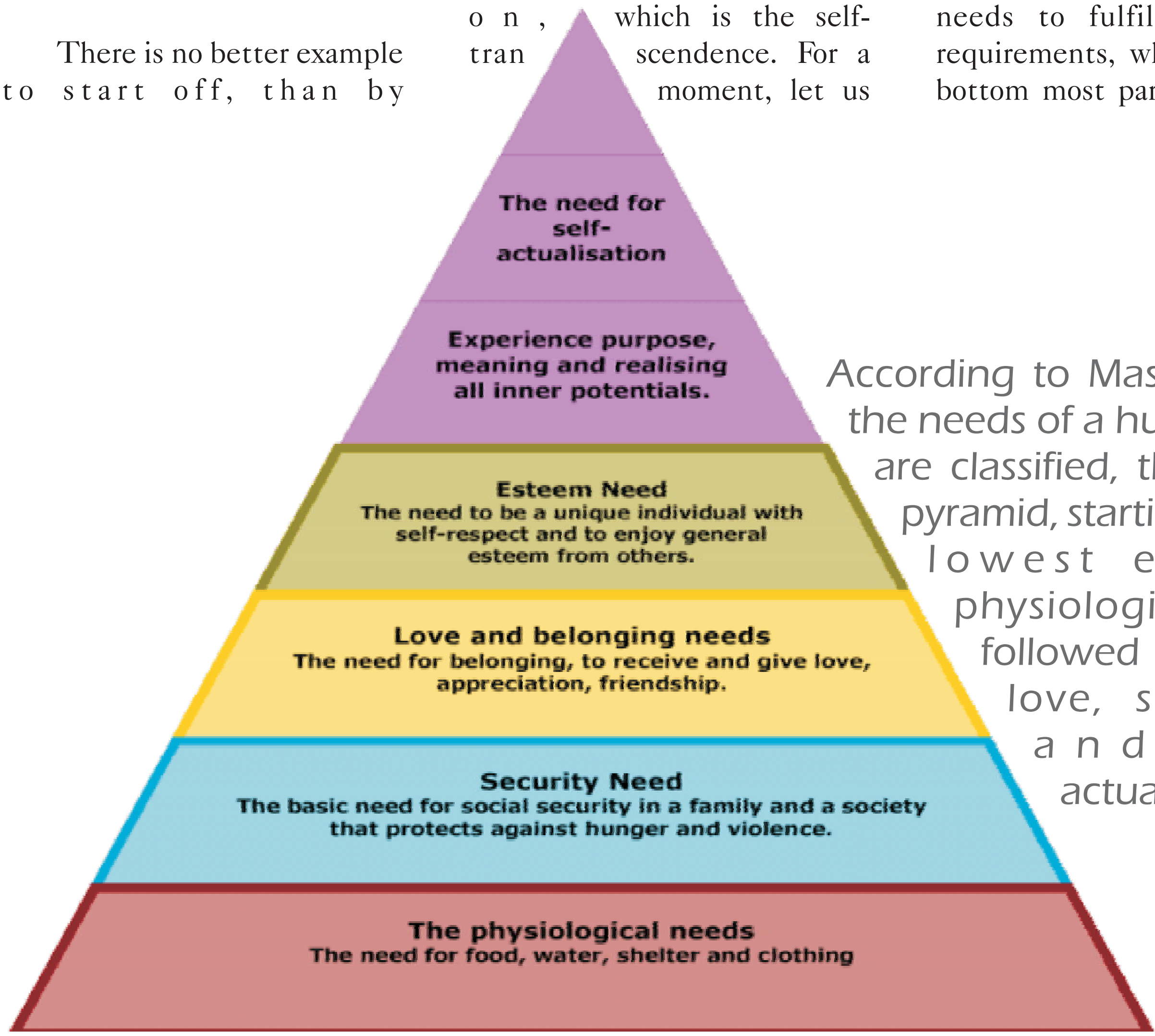
Management Dilemma

Arvind Kuchibhotla, Class of 2010

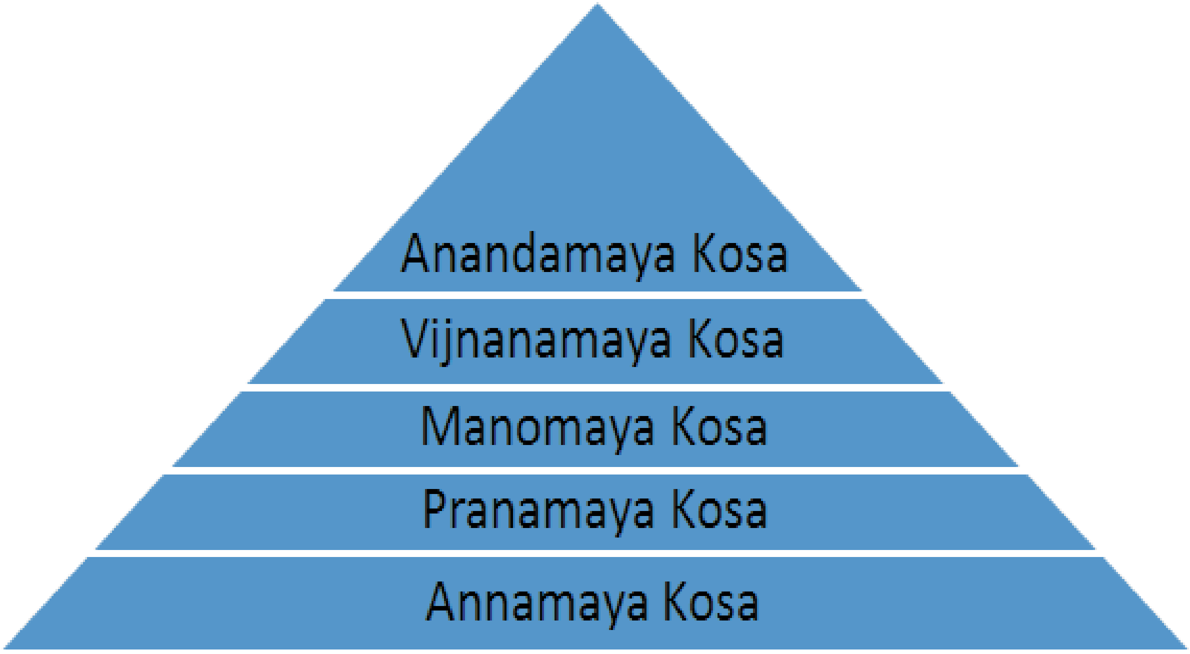
While the debate whether Management is an art or a science continues, it is interesting to look at the thought processes that go into making Management a unique subset of Philosophy. This article doesn't claim that the modern day principles have been copied or anything close to that, it just brings out some amazing coincidences which actually enhance this claim.

There is no better example to start off, than by concentrating on the Maslow's theory of needs hierarchy. We'll just take a look at what it says. When the needs of a human being are classified, it forms a pyramid, starting with the lowest end where the physiological needs are satisfied, followed by safety, love/belonging, self-esteem and self-actualization. It is also known, that Maslow proposed a next level of hierarchy later on, which is the self-transcendence. For a moment, let us assume that Maslow meant a deeper meaning for each of the levels and not just take them on face value. This will open us to a world of an interesting interpretation. The hierarchy is shown in the figure form.

The physiological needs can all be put under the bodily requirements. Whether it comes to food, water, breathing, clothing etc, these all are the needs to fulfill the bodily requirements, which form the bottom most part of the body



According to Maslow, when the needs of a human being are classified, they form a pyramid, starting with the lowest end- the physiological needs followed by safety, love, self-esteem and self-actualization



Sri Sankaracharya says that the soul is neither the sareera traya, nor the avastha traya, nor the pancha kosa. Although the two theories are not related at all,their approach is strikingly similar

and the soul put together. So, this could be called the sheath at the lowest level.

The next level is about satisfying the needs of security and protection, both from the physical and the emotional harm. Even here, the mind is not involved to a great extent, and these needs are still associated with the body. The next level talks about satisfying the need for affection, belongingness, acceptance, which deal with the mind to a large extent, while the fourth stage is more about the intellectual ability satisfying the need for self-respect, autonomy and achievement. The fifth and the final stage, is the self-actualization, the goal of becoming what one aspires to, or one's capable of, leading to happiness.

Now, take a look at the figure above. The interpretation follows next.

This figure is taken from the Tattva Bodha (Knowledge of Truth) by Sri Sankaracharya. He describes this model, while figuring out what the Atma (Soul) is. Here, the concept of negation is followed immaculately, where the components, which do not include the soul (Anatma) are explained, which gives a thorough clarity before proceeding towards understanding the soul. So, in that process of negation, He says that the soul is neither the sareera traya (the triumvirate of bodies), nor the avastha traya (the triumvirate of the experience states), nor the pancha kosa (the five sheaths). The first two are out of the scope of the article, so we look at the pancha kosa or the five sheaths. The Atma comprises of these five sheaths, but they alone do not constitute the Atma, He says. So what are they?

The basic level is the Annamaya kosa, or the food sheath, which is born out of the food, grown by the food, and merges back into the earth in the form of food. So, the gross body present is known as the food sheath.

The next is the Pranamaya kosa, or the vital air sheath. All the functions of the body, such as the respiration, evacuation, circulation are performed in this sheath. Also, the letting out of emotions such as tears of joy and sorrow, belong to this sheath.

The third level is the Manomaya kosa, or the mental sheath, which concerns with the mind, along with the physical and the sensory body. This is the seat of emotions, which means that the need for affection, belongingness etc. arise from this sheath.

The fourth level is the Vijnanamaya kosa, or the intellectual sheath, which is responsible for the intellect, the thinking process, and the main player behind all the decisions we take. Functioning of this layer is responsible for the progress professionally as well as in the society.

The final level is the Anandamaya kosa, or the sheath of bliss, which is attained by either the complete knowledge, or complete ignorance. At this stage, man would have achieved what he was capable of, and is in a state of bliss. But, all these five sheaths do not constitute the Atma, although the Atma comprises all of them.

Our point of discussion is not to deliberate about the Atma/Anatma, the attempt is to bring out the wonderful coincidence that the two models show. Although the theories are not related at all: one theory talks about the needs of a man while the other aims to divide the human mind into various stages, the approach is strikingly similar. Both the models divide the problem into 5 stages, and offer explanation for all of them. The final point in this comparison though is something noteworthy. Maslow had proposed another level, known as the self transcendence, which means that at the level of self-actualization, man tries to go beyond himself, and that's exactly what the Tattva Bodha concentrates on, realizing the true nature of the human soul. Now when this line of thought coincides with the philosophic thought, the results that come out are amazing, for there is a crystal clear understanding on the issue being discussed.

Philosophy is a wonderful area to explore and understand the human nature, for even if the end results of the theories cannot be agreed upon by everyone, the means towards achieving them are great lessons to learn. It is because studying the analysis of any situation under philosophy provide insights into the amazing thought processes that have gone into, which take the discussions to a higher level. Now, having developed this line of thought, if it is applied to any other field, and especially Management, the results are usually phenomenal, as seen in the example above. This theory has probably received a passive approval from a particular set of writers from Adam Smith to George Soros, who have coated their books with a heavy tinge of Philosophy, but have created masterpieces, which are sure to remain for years to come.

Is Management a Science or an Art? Well, Hume defines Philosophy as "A system of thought based on or involving such inquiry", while Aristotle was so indulged in it that this is what he said of it "The acquisition of wisdom is pleasant; all men feel at home in philosophy and wish to spend time on it, leaving all other things aside".

I hope I did not add to the confusion!

The Twitter economy

Saurabh Sumeet Ajay, Class of 2011

Millions of dollars have been invested in developing social networking sites, digital online forums and other Web 2.0 based content. Most of these websites have a single source of revenue –advertising. However, recent studies have shown that most people do not log on to social networking sites with intentions of shopping, and thus find the ads nothing but intrusive. This leaves us wondering about how mega social networking sites like Facebook and Twitter intend to make big money, especially with so much VC money riding on them!

According to tracking firm comScore, the twitter website now attracts a whopping 54 million visitors every month, which is short of only its slightly older and much bigger rival Facebook, which has 300 million registered users. While Facebook became cash-flow positive in mid-September, the $1 billion worth Twitter has no plans to generate revenue immediately in order to focus on gaining stability of service and further increase its user-base. While these intentions are good, the future of Twitter depends upon what it does with all the cash it has lying around, and when.

> The $1 billion worth Twitter has no plans to generate revenue immediately in order to focus on gaining stability of service and further increase its user-base

So when exactly should twitter monetize its assets? Let us put certain things in perspective. Federated Media, an independent company formed in 2005 with a view to connect independent authors to marketers, launched Exectweets, a site that aggregates Tweets from business executives. The site is sponsored by Microsoft and is making good money. Mashable is the world's largest blog focusing exclusively on Web 2.0 and Social media news. In March 2009, they launched a new form of social media advertising module called Twitter Brand Sponsors. Here, a limited number of brands can have their latest tweets appear on Mashable and curious visitors can then find out more about these brands on Twitter. For example, Mashable's first client, JetBlue Airways uses twitter to answer everyone's flying-related questions and posts news related to JetBlue passengers. In addition there are several start-ups devoted to helping companies manage their presence on Twitter and monitor how their brands are being discussed. Evidently, there are a large number of companies which have already begun using Twitter's capabilities to earn revenues. So is Twitter itself ready to make money? According to brand creator Brian Alvey, not yet, as it faces scalability issues and plenty of "please try again later" screens. However, with the amount of funding it has received lately, it seems like Twitter is working hard to solve this problem.

That brings us to how it could make money. Let's compare its possible revenue models with of other networking sites. Facebook recently said that their revenue generation capability through ads is larger than Google's. However apart from ads Facebook has another huge potential revenue source –its applications concept. Millions have got hooked to the many applications present on Facebook and it may be hard but not impossible to get users to pay a small fee to continue using them. Business networking site LinkedIn has become the destination for job portals who scour it for prospective candidates. It earns millions of dollars primarily through fees from job sites. Coming back to Twitter, there are a few business models it could implement, once it does get to scale. Let's begin with obvious in-feed advertising. How would it be if every 20th tweet was an advertisement? Would it really be that bothersome? Especially if it was targeted well? These ads could receive a huge number of clicks. Besides, visual and display ads would immediately catch the eye because Twitter pages are text based. SMS advertising is another very lucrative business model. Twitter has gone mobile in a big way with the launch of its Mobile Site m.twitter.com. Users can send and receive tweets on their registered mobile phone numbers. Twitter could slip in an SMS ad every few SMS tweets, again, with careful targeting. If Twitter does turn on SMS advertising, they will have the largest inventory of SMS advertising in the world. Such huge potential would easily interest Google or mobile service carriers. According to Dave Winer, the developer of weblogs and Syndication (RSS), a really ambitious Twitter could also design a cell phone which would not only make phone calls, do SMSs and play MP3s but also have the Twitter service built right in! Even if does not get into the hardware business, it could enter a deal with TMobile, AT&T or any such carrier and charge a monthly fee to users for mobile access.

Another way for Twitter to make money is via subscriptions, similar to Google Apps' Standard and Premier Accounts. It is estimated that 1-5% of all Twitter users would pay for a professional version that had 99.9999% up time, as well as special features like storage for MP3 files, photos and videos. Though the kind of money this model would generate is not substantial, it is, nevertheless, another source of revenue.

Perhaps the most innovative business model is to make use of all the information running through Twitter servers. People are discussing everything from cakes, clothes, cameras to cars with their friends via Twitter. This information could be parsed and depending on the most common words, themes and phrases, a particular ad could be displayed. For example, if a lot of people in Mumbai start tweeting about the latest Nokia cell phone, ads about the particular phone could then be displayed in between regular tweets to all twitter users in the region, all this without disclosing the names of people who are discussing or who have bought the phone (lesson learnt from Facebook's beacon-ad fiasco). This way, people who have already the bought the phone, would not mind too much, and people who have not, will click the ad to know more. For people who do not want to see ads, twitter can club its premium account features (discussed earlier) with a no-ad feature for a little fee. Monitoring and using personal conversations is risky business but if ad integration can be done with caution in an unobtrusive manner, it can be highly rewarding and effective.

However for now, Twitter seems to be headed in the right direction, just like Facebook. It is not worried about revenue and seems focused on attaining 'critical mass'- a loyal user base of about 100 million. Once that mission is accomplished, and with unlimited capital, the ways and means of generating revenue are endless. Twitter's business potential certainly cannot be expressed in 140 characters or less.

For Feedback, Subscription and Advertising queries
write back to

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