



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NEIC 501: NEW VENTURE CREATION

END OF FIRST EXAMINATION

NOVEMBER 2021

LECTURER: DR FARAI CHIGORA

TIME: 5 HOURS

INSTRUCTIONS

Answer one question

Credit will be awarded for logical, systematic and neat presentations

Question 1

Read the following case study and answer the accompanying question

Case Study (Industry Analysis)

According to Economywatch report (2010), “Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, 42 million employments, create one million jobs every year and produce more than 8000 quality products for the Indian and international markets.” Speedy technological advancements have led to reduced communication cost in this field. This industry is moving towards becoming more consumers oriented and providing cost effective prices. The government also supports this sector by providing various grants, concessions and incentives. According to Key Note Media Centre press release (2010), Stationary is a rapidly expanding global market in India. With an estimated growth of 10 – 15% per annum, this sector is booming in terms of innovation, knowledge, employments, exports, tax revenues etc. Many MNCs are already using India as an outsourcing hub. However, this industry faces major competition from China which has more production capacities, better infrastructure, lower tax rates and beneficial government policies. The following table from ingene.blogspot.com shows shifting trends in this sector:

According to A. T. Kearney’s Global Retail Opportunity Report (2007), Indian youth accounts for 60% of Indian population. These youth are already eco-cool and moving towards more cultural and traditional methods of lifestyle and encouraging healthier and eco-living. (Questionnaire and focus group results) Some Indian companies like Pepsi and Hindustan Lever have identified “focus on health and well being”, “return to nature” and “increased social consciousness” as emerging trends. (ACNielsen Consumer Confidence and Opinions Survey, 2007) Dharavi district in central Mumbai offers ample scope for this sector with ever increasing and substantial amounts of recycling industry and 15,000 single room factories. Recyclable wastes from all over the city are processed here. (mumbaiproperties.info, 2010) Thus a major source of raw materials for TouchArt business is readily available at close proximity.

The field of entrepreneurship is also very novel and deafening in Indian markets. The National Knowledge Commission’s report (2008) shows the following growth trends:

Social and personal services are one of the emerging sectors in Indian markets and at the highest level of entrepreneurial activity and importance. Also, there has been a tremendous increase in the number of companies registered in this sector. Starting with 1000 companies in 1991-92, there are around 3000 companies now which is the highest figure ever. Firms in this sector have always outnumbered those in other three areas .i.e. old economy or traditional, trading, agricultural and other sectors.

Market Analysis: from national to regional.

India, with a current GDP growth rate of 7.3%, offers a very attractive market for starting a new enterprise. According to the forecasts given by McKinsey Global Institute, India will develop into the fifth largest consumer market in the world by 2025 with a market size of US\$ 1521 billion. Indian consumer market will soar to \$1500 billion with 68% of its growth contributed by urban areas. (india-reports.in, 2010)

Project income levels are expected to triple in 25 years and number of people belonging to middle class families is anticipated to escalate from the current 50 million to 583 million. This

is because of the ever increasing population and workforce thereby resulting in 100% raise in their real spending power as shown below. (McKinsey Global Institute's research report, 2007)

Another survey by ACNielsen Consumer Confidence and Opinions (2007) revealed interesting findings; "even as India once again topped the 45-country survey with a consumer confidence index of 137, suggesting the highest optimism about the future, Indian consumers do not seem to be willing to spend much." These conservative consumers do not demonstrate freewheeling shopping habits and deposit most of their spare cash in investments like shares, mutual funds etc; or save it in their banks accounts. Such consumer behaviour illustrates that market potentials have not been exploited completely thereby offering us ample opportunities to perform and prosper by making our services more relevant to them. It is this spare cash that we are targeting at as Indians are now willing to spend a little extra for their convenience. (Questionnaire and focus group results)

According to the Maharashtra Development Report (2007), number of urban units in this state is raising at an increasing rate. Out of the six classes of cities in 2001, 80% urban population lives in class 1 cities. Mumbai is a primate class 1 city with a population of 11,914,398 and a literacy rate of 77.45% which is higher than the national average of 64.8%. (Census, 2001) This offers a huge attractive customer base. The World Gazetteer extrapolations (2008) show a tremendous increase in this population as 13,662,885 in Mumbai and 20,870,764 in Mumbai Metropolitan Area. (mumbaiproperties.info, 2010)

Question

Provide a brief report on any **five** key aspects of an effective venture creation that are presented in the case study above. [100]

Question 2

'Businesses operate based on a business model canvas'. Discuss this statement using any **five** key aspects as presented in the case study above. [100]

Question 3

'Only innovation can result in successful venture creation.' Discuss this statement with reference to the case study above. [100]

END OF EXAMINATION

