

KATHMANDU UNIVERSITY

Dhulikhel, Kavre



MGTS 402 Entrepreneurship Development Assignment 2

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Part 1

Seven Sources of Innovation

Peter F. Drucker, known as the inventor of modern management, has left us with valuable resources on leadership, management, business, innovation, and entrepreneurship. He has made a tremendous impact in the business world, leaving his lasting legacy as a guidance and inspiration to business leaders and entrepreneurs.

In his famous book “Innovation and Entrepreneurship” he talks about the power and necessity of systematic innovation, which can be inspired by the following seven sources of innovative opportunity:

1. Unexpected Successes or Failures

Unforeseen, unanticipated and unexpected success or failure of a product or a services that comes to the business world can be a great source of inspiration for innovation. Both, unexpected success and unexpected failures, shouldn't be left unnoticed because such situations are extremely powerful in the business world. Peter F. Drucker suggests that we understand why was a product successful, so you can build upon it or improve your own product offerings to be more competitive in the market. If there was failure, why was it not accepted? What was the consumer expecting or demanding that they did not receive? What variation of this product would be desirable or what other market segment should be targeted instead?

As an example, the Ford Motor Company developed a new automobile, the Edsel, in 1957. The auto's design stemmed from extensive market research about customer preferences in appearance and styling, yet the Edsel became a total failure immediately after it was introduced. Barely a soul wanted it.

Instead of blaming the "irrational consumer", Ford's management decided there was something happening that was not in line with general auto-industry assumptions about the reality of consumer behavior. After reinvestigating the market, they discovered a new "lifestyle segment" to which they quickly responded by producing the superbly designed and produced Thunderbird model - one of the greatest successes in US auto history. Will the highly acclaimed innovation, the GM Chevy Volt follow in the footsteps of the Edsel should be interesting to follow?

2. Incongruities between reality as it actually is and reality as it is assumed

Incongruity denotes the discrepancy between what is and what we think it ought to be.

Many companies fall into the trap of developing their product without to actually do the appropriate research to determine what the target customers really want. This can lead the

company to a downfall but can be also a great source of inspiration for innovation. The customer reviews, feedback, and complaints are often the best way to determine incongruity. If suppliers in the marketplace fail to discern this difference, then the opportunity arises for a new entrant to the market to provide an alternative that narrows this disparity and becomes more attractive to the consumer.

This is a key to developing wildly successful businesses but it's tricky. Facebook is a company that grasped this discrepancy of another social network as an opportunity. Prior to the social network's prolific rise Myspace was the dominant player, but it had its downfalls. Facebook wisely noted what Myspace was vs. what should be and built that platform. The end result? A company that just had an IPO versus. one that has fallen off considerably.

3. Process Needs

This source of innovation is said by Drucker to be more task-focused rather than situation-focused. Process need involves identifying your company's process weak spots and identifying the ways they can be improved. Knowing what the weak links are after a detailed evaluation of the company's capabilities, the teams will be able to create more effective and innovative solutions. This is a task oriented solution meaning that the source of innovation comes from within your existing capabilities and ways of doing business – not the market.

An example might be a restaurant that identifies that people wait too long for their entrees and so decides to hire another chef to speed up creation times.

4. Changes in Industry and Market Structure that catches everyone unaware

Industry and market structures can be stable for years, yet with the technology development, many industries are disrupted almost overnight. The leaders need to keep an eye on these changes and to treat these changes not as threats but more like opportunities. The rapid growth of a particular industry is a reliable indicator of changing industry structures.

Japanese penetration of the U.S. auto market with smaller and more fuel-efficient cars allowed them to take advantage of changing consumer preferences for autos, motivated largely by dramatic increases in gasoline prices.

Disruptive Technologies address a lower market or a market that is not fully developed. These are markets that do not need the functionality of products that the high-end market requires. On the other hand, they will have a trajectory to eventually move up. Japanese auto manufacturers

utilized this approach, delivering less expensive, but more fuel efficient autos to the low-end of the market and eventually took the U.S. car market away from the "Big Three."

Sources Outside the Business or Industry

5. Changes in Demographics

Companies are affected in one way or another by the change of demographics. These changes affect the markets as they determine the demand for products, who is buying these products and what quantities of the product are bought. The demographic changes in age, education, employment, affect the direction that the business takes and can open new horizons to the company if it manages to appropriately identify the opportunity.

Over the years as more women have received higher education and entered the workforce, they now have more disposable income and more independence than in the past. This increases the purchasing potential of this market, allowing for more products that are tailored specifically towards women and their preferences.

6. Changes in Perception, Mood or Meaning

With the years, there are significant changes in the way people perceive the world. Perception changes over time, and, nowadays, due to the involvement of technology and the power of social networks, these changes happen faster than ever. People can change their perception about certain product, brand or industry overnight. The changes of perception open a road for businesses to innovate, to develop new products and services that align with the new perspective of the customers.

Religion is an example. Across the world we've seen Islam and atheism rise. Companies should adapt as overall meaning changes in culture.

Example: Before gas prices escalated to \$4+/gallon in 2008, consumer demand for large SUVs was extremely high. They valued such automobiles for their capacity to carry a family in luxury and safety. They were spacious and powerful, capable of hauling boats and trailers. Once gas prices rose above a certain level, consumers perception of this product changed drastically. They were considered gas hogs and bad for the environment (not a concern before). Certainly there were those on the cusp who could barely afford these vehicles and the significant increase in the cost of fuel made it financially impossible or impractical. However, people who used to drive Hummers typically had more than enough disposable income to afford the increase. Their image

as a Hummer owner was tarnished by the change in perception of society as a whole, making it now less undesirable. It no longer gave them stature, but rather shed a negative light on them.

7. New Knowledge, Scientific and Unscientific

New knowledge is often used as a byword for innovation. Technological and scientific breakthroughs are the source of innovation that can't be overlooked by businesses. Companies that refuse to adapt to the changes inspired by new discoveries are doomed to fail. New knowledge, however, can be applied in every aspect of the company – from learning more about the customers through analytics through improving the supply chain to hiring the best employees.

Intel does this constantly and it's a major part of why they're the leading processor manufacturer today. Constantly paying attention to the latest in both academic research as well as investing heavily in their own R&D, the company has managed to find continual sources of innovation, driving its success.

Part 2

eSewa

Introduction

e-sewa is a digital payment gateway through which one can pay the bills. To the various merchants, transfer funds and to the multiple banks. It allows for the payment of the laws. And the amount is about internet bills, bus tickets, airplane tickets, movie tickets. It is in operation since 2009 and has recently been licensed by Nepal Rastra Bank as Payment Service Provider. The arrival of eSewa in Nepalese market avoids carrying the bulky wallets for the payment. Using this one can pay the bill through their purse and mobile just in a click

Online payment gateway launched by F1Soft International Private Limited in the Year 2003. From then it has been providing services to the Nepalese youths. Likewise, the primary purpose of paying the utility bills, shopping, recharge cards for mobile. It is for as the only trusted online payment gateway in Nepal. It is a mobile money account and is a digital wallet from where customers can pay, send and receive money from their mobile phone and internet, instantly.

Customers can register and get mobile money account instantly, cash-in to their wallet from Agents and partner banks and start making payments. Customers can pay for utilities, recharge their mobile, pay internet bills, EMI, buy airlines ticket, school fees, credit card bills, etc. from their mobile. Similarly, merchants service providers and retail outlets can receive payments for goods and services in their wallet instantly. This enables hassle-free, secure and immediate payments from customers.

eSewa App is available for both iOS and Android devices and its primary web portal is www.esewa.com.np.

Services

The different services provided by eSewa through internet billing, are as below: –

- Fund transfer: – Through this service, one can send the fund to the eSewa users.
- Cinema tickets online: – Through this service, one can buy the online tickets of any movies. Significant multiplexes like Big Movies, QFX cinemas, F-Cube all accept the online ticketing through eSewa.

- Online business: – Many outlets and departmental stores provide home services to a more significant number of the customers. They are using the payment gateway through eSewa which saves the valuable time of busy users having hectic schedules.
- Paying utility bills and subscriptions: – Through this service one can pay the utility bills: Telephone bills, Electricity bills, Water bills and Newspaper subscriptions.
- Recharge and Top Ups: – Different telecommunication service providers like NTC, NCELL, Smart cell, hello Nepal are using eSewa to provide balance. Some other companies like Dish Home and Sim TV also accept the payment through e-sewa. ISP like world link, Vianet, Classictech payment can also be done through eSewa.
- Online study: – Payment of some online services like Midas E-class, Loksewa nepal, Loksewaguide.com are beneficial.
- Credit card payment: – eSewa accepts credit card payment for several A class certified banks in Nepal: Everest, Nabil, Global IME, Prabhu, NMB, etc

Growth

Though most of the banks and financial institutions were facilitating their customers with mobile and internet banking services, most of the users could not get benefited as there was a huge mass who aren't involved in any banking sectors. Realizing the need to furnish unbanked users, F1Soft developed standalone digital payment platform under brand 'eSewa'. Within a very short period of its inception, it became so popular among stakeholders that F1Soft's management decided to develop it as a separate wing under their ownership. Starting with few services like airtime top-up and pinless recharge in the past, it has covered major industries ranging from fast food chains to international airlines.

Future

Their vision is to cover every payment sector (Small/Big, Dealer/Retail, Private/Government, Domestic/International) continuously accomplishing their mission to create a cashless economy. They want to create cashless economy in coming days. In future, they will cover each and every industries of Nepal with their revolutionary payment platform which will in turn will help in the growth and development of economy enhancing financial mobility. They will be acting as the backbone of Nepal's economy, which is their future and they are working on it.

Part 3

Sources of innovation

1. Unexpected Successes or Failures

In the early 2000s, globally businesses were going online. While the digital revolution was just around the corner, it had very low impact in Nepal. There were few alternate payment channels offered by Banks like Debit Cards and Credit Cards. When they launched SMS banking back in 2006, it was well received by customers in the market. As mobile phone was getting popular and more affordable, we used SMS as primary channel to notify and alert customers about banking transactions. This immediately created the atmosphere of trust and security amongst customers. They added more features and transactional services later in 2007. It was also well received by banked customers. This also coincided with global business trend and need of payment gateway for the growth of digital commerce. eSewa was conceived and introduced when there were very few companies trying to go online

2. Incongruities between reality as it actually is and reality as it is assumed

Incongruity denotes the discrepancy between what is and what they think it ought to be. eSewa was developed keeping in mind what the users wanted. It slowly transitioned from SMS to internet service. Many companies fall into the trap of developing their product without actually do the appropriate research to determine what the target customers really want. Moreover people wanted an easier way to handle money which eSewa provided. When it initially started the operation, the most popular method was using Credit or Debit card. The banking penetration in Nepali market was low. eSewa is a company that grasped the discrepancy of transaction method and introduced an easier method which could be accessible by most people.

3. Changes in Industry and Market Structure that catches everyone unaware

eSewa is a disruptive technology that grasped the Nepali market during its infancy. eSewa has brought change in the Industry by making transaction simpler and faster.

Sources Outside the Business or Industry

4. New Knowledge, Scientific and Unscientific

eSewa is constantly adapted to new technologies. It has adopted new security encryption method to secure its service. Since its inception eSewa has been adding new products to its portfolio according to developments and breakthroughs. It started from developing its mobile application to adding internet service to do its transaction. After digital payment it has added eSewa pasal which is an online marketplace. This site uses SSL Certificate issued by Verisign. It can encrypt private and confidential information securely before transmission. It uses a secure VPN connection while doing transactions with partner banks accounts. All data are stored in state-of-the-art data center. Each and every transactions are notified to the user via email.

References

ESewa. (n.d.). Retrieved May 5, 2019, from <https://esewa.com.np/#/main>