

Kathmandu University | Department of Computer Science and Engineering
MGTS 402 Entrepreneurship Development | Internal Assessment II (2019)

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CE 4th year

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IMPORTANT:

Students who are found cheating or guilty of plagiarism shall be penalized.

Plagiarism is the act of taking credit for someone else's words or ideas. It's an act of intellectual dishonesty, and it comes with serious consequences

Section A

Attempt all questions. Write in your own words.

Figures in square brackets indicate the marks for each question.

1. Use the Internet to research about two celebrities who have become entrepreneurs or entrepreneurs who have become celebrities and prepare a one page report about their entrepreneurial story. [5]

Ans:

a. Niven Amatya (Bota Mo:Mo)

Niven Amatya, the founder of Bota grew up eating momo like every other person in Kathmandu. After returning to Kathmandu having completed his degree in International Business from London, Amatya wished to enter the food business. He made his first step in the business of satisfying hunger with Berry and Dairy café, a yoghurt café at Maharajgunj. Berry and Dairy served a great range of food items and an even greater range of yoghurt dishes.

That is how Bota Momo was born in May, 2016. Starting out with a single storefront in Kumaripati, today Bota Momo is fast becoming a dominant food and beverage brand in Kathmandu with four different locations and two more on the way.

During this time, he discovered a repeating trend in the orders; be it a young teenager, an office worker, or an elderly citizen, most customers ordered momos. Realising the mo:mo phenomenon in Kathmandu, Amatya got the confidence to start another venture. He envisioned a restaurant that would serve the highest quality mo:mo in the fastest possible time; Bota mo:mo is that vision turned real.

Bota mo:mo did not materialise right after its conception in Amatya's head. Instead, he took the careful approach of assessing all the problems he could face. After experimenting with his mo:mo dishes at Berry and Dairy café, he collected enough information and feedback to finalise his recipes. Further, he figured out that a central kitchen was a must for him to achieve his envisioned mo:mo chain.

Eventually Amatya was ready to move to phase two of his plans- expansion. After careful research, Bota mo:mo set up outlets at Anamnagar and Kamal Pokhari. The approach to set outlets at these prime locations of Kathmandu was also accelerated by the demand of customers who lived at a distance from Kumaripati.

Bota mo:mo takes a meticulous approach to ensuring that their customers receive the best customer service and top-quality food. Besides prioritising delicious food and fast service at affordable prices, customer satisfaction is another critical principle of Bota mo:mo. Satisfying the customers is taught to the employees from the time they are recruited. Behaving politely and patiently, being helpful, and ensuring there is nothing uncomfortable is hard-wired into Bota employees.

Amatya is not only responsible towards the well-being of society but also of his employees. He considers customer satisfaction and employee satisfaction of the same stature. He makes sure he is creating a business environment where both his customers and employees are treated with the respect and care that they deserve. Bota mo:mo provides different facilities to their employees to ensure they are comfortable and happy working there. With proper training from the start and with the ample opportunities provided, Bota mo:mo has a very low employee turnover. In fact, they still have the first batch of employees working from the first Bota mo:mo outlet.

b. Hajuri Bista (The Mistress of Pickles)

Hajuri Bista was a housewife at 39. She had always been interested in starting an enterprise and so she got involved with a few of her friends to start a venture that delivered dairy milk to households. Business was good but then her other business associates could not give time due to various problems, and it did not seem feasible.

She took six months to find a training program that could help develop her skills. She found an advertisement about WEAN (Women Entrepreneurs Association of Nepal), a multipurpose co-operative that was providing training for women regarding food processing and preserving. “The idea of starting a pickle business was initiated by the discussions we had during our training and I and my friends decided to start the business and named it Navaras.”

Unfortunately, her friend passed away and she had to work on her own. Time management is a skill she had to learn in her start up days. “Every morning, I would first finish my household chores, and after everyone left, clean my kitchen and turn it into my workspace and become an entrepreneur, and every evening before my family came back home, clean it up and become a homemaker again.”

After an increasing success of her business, she started expanding her business. To do so, Bista conducted a market survey to understand consumer behavior. To do this, she participated in various foods expos, both in the country and outside. “When we first started out, we found out that hardly any of the pickles in Nepal had a Nepali taste. We found out it was marketable. It’s important to know your consumer taste, especially in the food business. Although I do attend expos, I also hire people to survey consumer preferences.”

She then worked on the expansion of workers. Most of the people who came to her were women who were migrant workers from out of Kathmandu. She took the challenge to not just teach them the trade but also to help and manage their personal hygiene and ensure a secure working environment so that they wouldn’t leave the job after a few weeks or even months. She currently has a staff of almost 20 people, most of whom have been working with her for nearly 19 years.

The next challenge was money. Plans of expansion increase pressure for investment, for getting new technology and maintaining the old ones. Although, she didn’t face too many hurdles getting access to finance – with her family and friends helping her out – getting loans from banks was slightly difficult. It was difficult to decide what to put up as collateral for small loans.

Despite the schemes brought by the Nepal government for women entrepreneurs, Bista feels people at the grassroot level still do not have access to it, and it applies to men as well because of the negative connotation of the word ‘loan’ which is especially difficult for women. “For small loans you have to put up collateral and a majority of women do not have property under their name. They need to get permission from their family members, which at times hinders their growth.”

2. A competitive profile matrix allows owners to evaluate their firms against the major competitors using the key success factors for that market segment. Develop a competitive profile matrix for a new ride sharing app development startup. [5]

Ans:

Initially, the key factors for success of the ride sharing app are identified and weights are added according to their importance. These are listed below:

- Quick service for finding a ride (0.1)
- Proper safety of passengers (0.2)
- Feasible costs per ride (0.2)
- User friendly interface (0.15)
- Proper verification of riders (0.15)
- Timely delivery of passengers (0.1)
- Proper cost structure for riders (0.1)

The next step is to identify the company's major competitors and to rate each one (and your company) on each of the key success factors.

Key Success Factors	Weights	My app		Tootle		Pathao	
		Rating	Weighted score	Rating	Weighted score	Rating	Weighted score
Quick service for finding a ride	0.10	3	0.30	4	0.40	3	0.30
Proper safety of passengers	0.20	4	0.80	3	0.60	3	0.60
Feasible costs per ride	0.20	2	0.40	1	0.20	2	0.40
User friendly interface	0.15	3	0.45	3	0.45	3	0.45
Proper verification of riders	0.15	2	0.30	2	0.30	2	0.30
Timely delivery of passengers	0.10	3	0.30	3	0.30	2	0.20
Proper cost structure for riders	0.10	1	0.10	2	0.20	1	0.10
Total	1.00		2.65		2.45		2.35

Hence, the competitive profile matrix result shows that my app is the strongest among my competitors.

3. Why do many entrepreneurs under-price their goods and services, especially when they first get into business? Discuss the connection between the prices a company establishes for its goods and services and the image it creates for the company. [5]

Ans:

1st part:

Too often, small business owners underprice their goods and services, believing that low prices are the only way they can achieve a competitive advantage. They make the common pricing mistake of failing to recognize the extra value, convenience, service, and quality they give their customers—all things that many customers are willing to pay for. These companies fall into the trap of trying to compete solely on the basis of price when they lack the sales volume.

2nd part:

Lower prices convey an image to the people that you are lowering the value and lowering the quality and creates a poor image of the company. It is a dangerous cycle that can destroy a business. A study of businesses in multiple industries by Rafi Mohammed, author of *The Art of Pricing*, found that those companies that raised prices by 1 percent saw their profits increase 11 percent. Those that raised their prices by 10 percent realized profit increases of 100 percent.

Too much high price prevents customers from shopping there and it affects the company's sales. It conveys an image that the company is charging extra for the expenditures of the company.

High price also suggests that the product is of higher quality than other low priced competitor products if the company can convince the customers that their product is of superior quality.

So, the business owners must analyze the target customers and target market before setting the prices.

Section B

i. Which of the funding sources do you recommend that Ralph Lucci and Jacqui Rosshandler consider for financing their businesses? Which sources do you recommend them not to use? Why? [5]

Ans:

I would recommend Ralph Lucci to get a long-term loan that he can pay over time. He should consider restarting his company but this time he should insure all his properties not as liability but having a comprehensive insurance so that an event such as a natural calamity does not wash his assets away putting him in debts. He should use his personal assets as collateral.

He should not consider giving away equity of the company to someone else, considering the business will again hit the peak, as the worst time are over, having passed through hurricanes.

However, I would recommend Jacqui Rosshandler to consider taking the help of the angel investor. She can also ask for friends and relatives for money so that she can return it over a period of time without having the drawbacks of other investors asking for more equity of the company for the amount needed for marketing and production run to sustain the business.

ii. What can entrepreneurs do to increase the probability that bankers will approve their loan requests? [2]

Ans:

1. Submit a brief loan or financing proposal -a statement of what you need, why you need it, when you need it, and how you plan to repay it. The documentation should include a description of how much you need and what you'll do with the loan, up-to-date balance sheets, cash-flows and projected income statements.
2. Maintain a good character which is very important since all loans to small businesses are personal loans.
3. Submit a proper business plan describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement
4. Don't be dependent on one banker but establish more than one banking relationship which increases the chance of getting loan.

iii. Identify ways these entrepreneurs could attract the capital they need for their businesses. What steps do you recommend they take before they approach the potential sources of funding you have identified? [3]

Ans:

The ways entrepreneurs could attract the capital they need for their businesses are:

Equity source

Debt source

