

Group members

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Read the following case and answer the questions that follow: [10]

College: The Ideal Place to Launch a Business

For growing numbers of students, college is not just a time of learning, partying, and growing into young adulthood; it is fast becoming a place for building a business. More than 2,300 colleges and universities offer courses in entrepreneurship and small business management (an increase from just 200 schools in the 1970s) to more than 400,000 students, and many of them have trouble keeping up with demand for these classes. "Students used to come to college and assume that five to ten years down the road, they'd start a business," says Gerry Hills, cofounder of the Collegiate Entrepreneurs Organization. "[Today], they come in preparing to get ideas and launch."

Many collegiate entrepreneurs realize that if they are going to have a job when they graduate, it is likely to be one they have created for themselves. According to a recent survey by Accenture, only 16 percent of college graduates who applied for a job had one waiting for them after graduation. For a growing number of college students, landing a job in corporate America, starting on the bottom rung of an uncertain career ladder, has lost much of its allure. While studying at Harvard (where she majored in the history of science), Windsor Hanger worked in internships at *OK! Magazine* and at Bloomingdale's, which offered her a marketing position when she graduated. Hanger turned down the job offer, choosing instead to focus on the business, *HerCampus*, an online magazine aimed at college women that she had started with classmates Stephanie Kaplan and Annie Wang. "It's not a pure dichotomy anymore that entrepreneurship is risky and other jobs are safe, so why not do what I love?" she says. For their work at *HerCampus*, which is now profitable, Hanger, Kaplan, and Wang recently were named to *Inc.* magazine's "30 Under 30 Coolest Young Entrepreneurs" list.

Perhaps because of their stage in life, college entrepreneurs are particularly keen at spotting business opportunities. When Derek Pacqué was a senior at Indiana University, he was at a nightclub one cold evening and tucked his coat away in a corner for safekeeping. When he went to get his coat later, however, it was gone. Pacqué never found his coat, but he did find the inspiration for a business when he realized that none of the bars in town had a coat check. Pacqué approached several bar owners around town to see whether they were interested in a coat check service. Many were, and Pacqué launched Hoosier Coat Check, investing \$500 to build portable coat racks and hiring several college students to staff them. Hoosier Coat Check collected between 10 percent and 30 percent of the \$2 to \$3 check fee the bars charged and in just six months generated \$50,000 in revenue. The business was more profitable than Pacqué had expected, but numerous unanticipated problems cropped up as well, including lost tickets and matching customers with the wrong coats.

After graduating, Pacqué worked with a former professor to reformulate his business model to eliminate paper tickets and incorporate digital technology. Now, an app uses photographs and QR codes to check customers' coats, increasing both the speed and the reliability of the service. He also changed the name of the company to CoatChex and began to focus on events at large venues rather than local bars. He landed contracts to provide coat check services for the ESPN and Maxim Super Bowl parties in Indianapolis, and the company grew from there. Pacqué also discovered an unexpected angle on his company's digital coat check service. His customers wanted access to the information that CoatChex collected on its customers through its app so that they could connect with customers through social media such as Facebook, Twitter, and Instagram.

Pacqué is searching for \$1 million from private investors to fuel CoatChex's growth so that the company can live up to its potential. He appeared on television's *Shark Tank*, offering 10 percent of the company in exchange for a \$200,000 investment. Indiana University alumnus Mark Cuban offered Pacqué \$200,000 for one-third of CoatChex, but Pacqué refused, not wanting to give up that much equity so early in the life of his business. Although Pacqué did not get the investment deal he had hoped for from *Shark Tank*, the brand exposure that CoatChex received from appearing on the show has proved to be as valuable as an infomercial that would cost \$500,000.

While working on a master's degree in computer science and electrical engineering, Limor Fried enjoyed applying the skills she was learning in the classroom, building MP3 players and laser toys from custom-ordered parts. Fried posted the instructions on her Web site and soon was flooded with requests from people asking for pre-assembled kits so that they could build their own devices. "At first, I was like, 'I'm really busy. Leave me alone,'" she recalls. Then she realized the entrepreneurial potential that selling kits had and convinced her parents to allow her to use \$10,000 of the money they had set aside for tuition to purchase parts in bulk, assemble the kits, and sell them. As word spread, the number of orders grew, and Fried began hiring some of her friends to help fill them. Soon, she was designing a new project every week for her customers, who ranged from elementary school kids and tech geeks to hobbyists and retirees.

Today, Fried owns Adafruit Industries, a New York City-based company that generates more than \$10 million in annual sales by selling pre-assembled kits of parts for building cool objects such as

MintyBoost, a portable USB mobile device charger made from an Altoids tin and various electronic components (50,000 kits sold so far). Other popular kits include the iNecklace, which allows customers to build a pendant shaped like the “on” button on Apple gadgets (complete with pulsating light), and the MaKeyMaKey, a device that uses circuitry and alligator clips to turn anything that conducts electricity (bananas, plants, your dog . . .) into a keyboard or touchpad. AdaFruit Industries’ 50 employees are constantly developing new kits and shipping them worldwide.

Budding entrepreneurs at a growing number of colleges can take advantage of a special programs designed to create a culture for entrepreneurship. A growing number of schools provide on campus business accelerators that offer promising student entrepreneurs amenities such as low-cost (sometimes free) office space, start-up funding, professionally appointed conference rooms, wireless Internet access, smart boards, ample computer facilities, video conferencing equipment, copiers, and others. Presentations from entrepreneurs, venture capitalists, bankers, attorneys, and others help students define their business ideas and develop their business plans. “It’s often over those late-night pizzas where the best ideas are born,” says one official. One student entrepreneur in the program agrees: “A lot of it is the community. Being around people in the [entrepreneurship] program inspires one to think about other opportunities out there. What I’ve learned here is how to plan, how to make a business actually work.”

1. In addition to the normal obstacles of starting a business, what other barriers do collegiate entrepreneurs face? [2]

Starting a business for a collegiate entrepreneur has numerous barriers in addition to the normal obstacles of starting a business.

- i. **Capital:** Finance is a major barrier for most young people, start up seed is a stumbling block.
- ii. **Credibility & trust:** Collegiate age entrepreneurs may find their obvious youth causes business partners like vendors, suppliers, etc to question their knowledge, experience, ability, etc.
- iii. **Knowledge:** Collegiate entrepreneurs lack the knowledge on market changes, finances, legal matters, etc.
- iv. **Family pressure:** Pressure from parents and family members, telling them they can’t achieve and you need a full time job trying to climb the corporate ladder.

2. What advantages do collegiate entrepreneurs have when launching a business?[2]

- College entrepreneurs can take advantage of a special programs designed to create a culture for entrepreneurship.
- A growing number of schools provide on campus business accelerators that offer promising student entrepreneurs amenities such as low-cost (sometimes free) office space, start-up

funding, professionally appointed conference rooms, wireless Internet access, smart boards, ample computer facilities, video conferencing equipment, copiers, and others.

- Presentations from entrepreneurs, venture capitalists, bankers, attorneys, and others help students define their business ideas and develop their business plans.

3. What advice would you offer a fellow college student about how to start a business? [2]

CHOOSE YOUR MARKET AND YOUR NICHE

Step one in starting a consulting business is figuring out who you can help. If this is your first foray in to consulting, start by listing the 10 biggest results you've gotten for yourself or others in any area of life.

DEFINE YOUR OFFER

The next step is to define your offer. What painful problem is your prospective client experiencing right now? Start with the pain. If there is no pain, you have no business. If there is a lot of pain, you will have a lot of demand for a solution to that pain.

CLOSE YOUR FIRST COUPLE OF CLIENTS

Once you have a great offer, and you know how to sell, it's time to get your first couple of clients. Reach out to people who you know are experiencing the problem you solve, and ask them to get on a phone call with you.

GET YOUR CLIENTS RESULTS

It's important to be hands on and get amazing results for your first couple of clients. I recommend you to use a combination of online content and weekly calls to get your clients results.

4. Develop ideas about what your college or university could do to create a culture of entrepreneurship on your University or in your community. [4]

- Focus more on case studies

Studying past or present corporate success stories and operational hiccups, students can dig deeper into processes and procedures that executives follow to make decisions.

- Link Curriculum to real world business

Universities can jumpstart their business degrees by linking their curricula to real-life business challenges.

- Create opportunities for students to participate in social entrepreneurship contests

There is nothing more engaging and hands-on than letting students participate in some type of entrepreneurship contests.

- Partner with businesses

The pairing of successful entrepreneurs and startup founders who serve as mentors and give lectures with campuses to offer students a real-world perspective of business and entrepreneurship.

- Invite business executives to deliver lectures

Occasionally inviting business executives and asking them to teach a full course, make a presentation, or share their experiences with students will produce better results.

- Provide consulting services to small businesses and nonprofits

Business courses could be engaging by providing consulting services to small businesses and nonprofit agencies.

- Help students launch their own businesses

Universities can work in partnership with student-entrepreneurs and institutions to conduct market research, obtain financing which will help students launch their own businesses.

- Emphasize technology topics in curriculum

Higher-learning institutions can jumpstart their students' careers by incorporating more technology topics in curriculum.

- Foster global exchange programs with other institutions

The concept here is to broaden the exchange program to other institutions, inviting students with varied cultural and professional backgrounds.

- Encourage student-in-residence programs

Similar to entrepreneur-in-residence programs, student-in-residence programs allow students and experienced professionals to learn from each other while discussing and solving real-world business challenges.