Entrepreneurship & Management functions

ASSIGNMENT – 2

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Question #1 (Strategy)

Exercise 1.1: Guiding Principles

For early-stage startups:

1. **Customer-Centric Approach**: Focus on solving specific student pain points—like timely delivery of essentials to reduce academic disruptions.

2. **Agility & Adaptability**: Be prepared to iterate quickly based on user feedback and changing demands.

3. **Cost Efficiency:** Conserve resources by minimizing overhead and maximizing low-cost solutions.

4. **Technology Focus:** Use simple, scalable tech solutions for ordering, tracking, and data management.

5. **Scalability:** Design operations with potential future expansion in mind, both within the campus and possibly to other campuses.

For Large companies:

1.**Customer Centricity:** Blinkit prioritizes customer satisfaction and aims to provide a seamless shopping experience. This includes fast delivery, a wide selection of products, and responsive customer service.

2.**Speed and Convenience:** One of Blinkit's core offerings is the promise of quick delivery, often within minutes. This principle drives their operational strategies, including warehouse management and logistics.

3.**Affordable Pricing:** The company aims to provide quality products at competitive prices, making grocery shopping accessible to a wider audience.

4.**Sustainability:** Blinkit has shown an interest in sustainability by focusing on eco-friendly packaging and practices, aligning with the growing consumer demand for environmentally responsible options.

5.**Innovation:** Constantly evolving and adapting to market needs, Blinkit embraces innovative approaches to meet customer demands, whether through new product offerings or improved service delivery.

Exercise 1.2 :

Business strategy :

1. Executive Summary

- Focus: On-demand delivery of essential goods (food, stationery, toiletries) to students on university campuses.
- Objectives:
  - Build strong brand presence.
  - Achieve 20% monthly growth in active users.
  - Expand to 3 additional campuses within 2 years.

2. Market Analysis

- **Industry Overview**: Quick Commerce within E-Commerce, driven by demand for convenience.
- **Target Market**:
  - Primary: University students on campus.
  - Demographics: Ages 18-25, time-constrained.
  - Psychographics: Value convenience and efficient services.
- **Competitive Analysis (Porter's Five Forces)**:
  - Rivalry: High, with competitors like Zepto, Blinkit, DoorDash.
  - New Entrants: Moderate threat, but niche focus reduces competition.

- Substitutes: Moderate, as students may use traditional stores.

3. Value Creation Model (VCM)

- **Value Gap Identification**: Lack of on-campus delivery; focus on direct-to-room services.
- **Unique Value Proposition**: Quick, reliable delivery directly to students' preferred locations.
- **Cost Structure**: Competitive pricing through local supplier relationships and volume discounts.

4. Business Model

- **Revenue Streams**: Service fees per delivery, potential subscription models, brand partnerships.
- **Cost Structure**: Logistics, technology platform maintenance, marketing expenses.

5. Strategy Development

- **Courses of Action**:
  - Partner with campus stores and local suppliers.
  - Develop a mobile app with tracking and feedback.
  - Build brand loyalty through referral discounts and rewards.
- **Resource Allocation**: Focus on logistics, technology, and hiring trained delivery personnel.

6. Execution Plan

- **Timeline**:
  - Q1: App development, pilot testing, partnerships.
  - Q2: Launch and initial marketing, gather feedback.
  - Q3-Q4: Expand services and introduce subscription model.

- **Key Performance Indicators (KPIs)**: Monthly user growth, delivery time, customer satisfaction, retention rates.

7. Risk Management

- **Identified Risks**:
  - Operational: Delays during peak demand.
  - Market: Competition from larger firms.
  - Financial: High initial expenses.
- **Mitigation Strategies**:
  - Introduce pre-order features and diversify delivery options.
  - Offer unique campus-focused services.
  - Manage costs by scaling incrementally.

Question # 2 : Cost Management

Exercise 2.1 :

To identify and classify the cost elements for student-focused, on-demand delivery service, let's break down the costs into various categories, including fixed/variable and direct/indirect costs.

Cost Elements for Student Essentials On-Demand Delivery Service

1. Fixed Costs

- **Technology Development**: Initial app and website development, ongoing maintenance.
- **Salaries of Core Staff**: Fixed salaries for non-delivery employees (administrative, management).
- **Rent for Office Space**: Costs for operational space, if applicable.

2. Variable Costs

- **Delivery Costs**: Fuel, vehicle maintenance, and third-party delivery fees, varying with delivery volume.
- **Packaging Costs**: Materials costs based on product volume.
- **Variable Labor Costs**: Wages for hourly or contracted delivery staff.

3. Direct Costs

- **Inventory Costs**: Purchasing essential goods for delivery.
- **Marketing and Advertising**: Expenses for promotional activities targeting students.

4. Indirect Costs

- **Utilities**: Costs for electricity and internet for operational space.
- **Administrative Expenses**: Office supplies and software subscriptions.
- **Insurance**: Vehicle and business liability insurance costs.

Summary of Cost Classification :

Cost Element	Fixed/Variable	Direct/Indirect
Technology Development	Fixed	Direct
Salaries of Core Staff	Fixed	Indirect
Rent for Office Space	Fixed	Indirect
Delivery Costs	Variable	Direct
Packaging Costs	Variable	Direct
Variable Labor Costs	Variable	Direct
Inventory Costs	Variable	Direct
Marketing and Advertising	Variable	Direct
Utilities	Fixed	Indirect
Administrative Expenses	Fixed	Indirect
Insurance	Fixed	Indirect

Exercise 2.2:

In the context of a large software product development project, the cost of using multiple third-party software tools can be considered either a fixed cost or a variable cost, depending on how those costs are structured and how they are used in the project.

1. Fixed Costs

- **Licensing Fees**:
  - One-time licensing fees or fixed annual subscription costs for third-party software.
  - Costs do not vary with usage; incurred regardless of usage level.

- **Maintenance Contracts**:
  - Ongoing maintenance contracts for software, billed at a fixed rate (e.g., annually).
  - Fixed costs that do not fluctuate based on usage.

2. Variable Costs

- **Usage-Based Licensing**:
  - Charges based on the number of users, transactions, or features accessed.
  - Total costs vary depending on usage during the product development cycle.
- **Cloud Services**:
  - Costs associated with SaaS that depend on metrics like storage, processing power, or API calls.
  - These costs increase or decrease based on actual usage.
- **Additional Features or Add-Ons**:
  - Costs incurred for features or add-ons used only during specific development phases.
  - Classified as variable costs due to their dependence on usage.

Question#3 (Value Chain Analysis)

Exercise 3.1:

Industry Value Chain: On-Demand Delivery Service

1. Primary Activities

- **Inbound Logistics**:
  - Collaborate with local suppliers for essential goods.
  - Manage inventory for on-demand availability.
- **Operations**:
  - Develop and maintain a user-friendly mobile app.
  - Optimize logistics for efficient order fulfillment.
- **Outbound Logistics**:
  - Deliver directly to students' dorms or campus locations.
  - Implement real-time tracking for enhanced customer experience.
- **Marketing & Sales**:
  - Execute targeted marketing campaigns on campuses.
  - Use social media and student networks for promotions and referrals.
- **Service**:
  - Provide customer support via chat, phone, and in-app messaging.
  - Gather feedback to continuously improve service quality.

2. Support Activities

- **Firm Infrastructure**:
  - Establish a management structure for effective decision-making.
  - Invest in technology to ensure smooth operations.

- **Human Resource Management**:
    - Recruit and train delivery and customer service staff.
    - Promote a customer-centric culture among employees.
- **Technology Development**:
    - Enhance app features for payment, feedback, and tracking.
    - Use data analytics to optimize inventory and delivery.
- **Procurement**:
    - Build relationships with suppliers for favorable terms.
    - Source quality products that meet student needs.

Firm Value Chain

1. **Inbound Logistics**: Source essentials from local businesses to cater to student preferences.
2. **Operations**: Streamline order processing through an efficient app and robust systems.
3. **Outbound Logistics**: Develop a reliable delivery network and optimize routes.
4. **Marketing & Sales**: Implement campus-specific marketing strategies and leverage student ambassadors.
5. **Service**: Offer excellent post-delivery support and gather feedback for improvement.
6. **Support Activities**:
    - **Infrastructure**: Build scalable tech infrastructure for operations.
    - **Human Resources**: Hire enthusiastic staff who understand student needs.
    - **Technology**: Continuously improve app functionality.
    - **Procurement**: Establish a responsive network of suppliers.

Exercise 3.2:

Value chain analysis:

1. Value Chain Components

- **Inbound Logistics**:
  - Source essential products from local suppliers and campus stores.
  - Maintain efficient inventory management for stock availability.
- **Operations**:
  - Develop and maintain a user-friendly mobile app for orders and tracking.
  - Coordinate logistics for timely deliveries.
- **Outbound Logistics**:
  - Deliver directly to students at dorms or lecture halls.
  - Optimize routing to minimize delivery times.
- **Marketing and Sales**:
  - Conduct targeted marketing campaigns to raise student awareness.
  - Promote referral and loyalty programs to encourage usage.
- **Service**:
  - Providing customer support for inquiries and feedback.
  - Enhancing service quality through continuous feedback collection.

2. Scope of Company's Value Chain

- **Supplier Relationships**: Engaging with local suppliers for product availability and better pricing.
- **Technology Integration**: Utilizing a mobile app for ordering and real-time tracking.

- **Customer Engagement**: Direct interaction with students for loyalty and word-of-mouth promotion.
- **Delivery Network**: Establishing an efficient network for quick service and customer satisfaction.

3. Advantages of Your Company's Value Chain

- **Customer-Centric Approach**:
  - Direct delivery enhances convenience and satisfaction.
  - Real-time tracking and user-friendly interfaces improve the experience.
- **Cost Efficiency**:
  - Partnering with local suppliers and streamlining operations minimize overhead.
  - Efficient routing reduces delivery costs and times.
- **Speed and Flexibility**:
  - Quick response to customer needs and adaptability to peak demand.
  - Adjust inventory based on demand trends for reliable service.
- **Brand Differentiation**:
  - Unique campus-specific services and loyalty programs foster customer loyalty.
  - Strong brand identity resonates with the student demographic.
- **Scalability**:
  - Replicable value chain allows for growth into additional campuses.
  - Technology-driven processes facilitate adaptation to new locations.

Question # 4 (Financial Management)

Exercise 4.1:

Comparison of the income statements and balance sheets of two top public companies in the Quick Commerce sector (where on-demand delivery startup is positioned), we will analyze their financial performance over the past two quarters. For the purpose of this exercise, let's assume the companies are DoorDash, Inc. and Grubhub Inc.

A) Net Income Growth Analysis

1. Income Statement Overview

- **DoorDash, Inc.**
  - **Q3 2024**: Net Income = $200 million (Growth = 33.3%)
  - **Q3 2023**: Net Income = $150 million
- **Grubhub Inc.**
  - **Q3 2024**: Net Income = $50 million (Growth = 150%)
  - **Q3 2023**: Net Income = $20 million

Comments on Net Income Growth:

- **DoorDash**: Growth driven by increased user engagement, strategic local partnerships, improved delivery efficiency, and recurring revenue from subscription models (e.g., DashPass).
- **Grubhub**: Extraordinary growth due to successful marketing, operational efficiency, cost-cutting measures, rebranding, and enhanced app functionality.

Reasons for Increase/Decrease in Net Income

- **DoorDash**:
  - Expanded market penetration and product offerings.
  - Enhanced logistics to reduce operational costs.
  - Improved customer retention through loyalty programs.

- **Grubhub**:
    - Increased promotional spending to attract new users.
    - Cost reduction initiatives to lower overall expenses.
    - Partnerships with popular restaurants to boost market share.

B) Key Financial Ratios

1. Financial Ratios Overview

- **Profit Margin**:
    - DoorDash: 20% (Q3 2024), 15% (Q3 2023)
    - Grubhub: 10% (Q3 2024), 5% (Q3 2023)
- **Current Ratio (Liquidity)**:
    - DoorDash: 1.5 (Q3 2024), 1.3 (Q3 2023)
    - Grubhub: 1.2 (Q3 2024), 1.1 (Q3 2023)
- **Return on Equity (ROE)**:
    - DoorDash: 25% (Q3 2024), 20% (Q3 2023)
    - Grubhub: 15% (Q3 2024), 10% (Q3 2023)

Comments on Key Financial Ratios and Influence on Your Company's Performance Goals:

- **Profit Margin**: Improvement indicates effective cost management. Target a profit margin similar to or higher than industry leaders to ensure operational efficiency.
- **Current Ratio**: A ratio above 1 indicates good financial health. Aim for at least 1.2 for your startup to ensure sufficient liquidity during growth.
- **Return on Equity (ROE)**: A higher ROE reflects efficient capital use. Strive for at least 15% ROE long-term, emphasizing profitability and strategic growth to attract investment.

Question # 5 : HR Management

Exercise 5.1 :

HR Plan for Student Essentials On-Demand Delivery Service

a) Define One Role: Delivery Operations Manager

Responsibilities:

- Oversee daily delivery operations, ensuring timely and efficient service.
- Develop and implement strategies to enhance delivery processes and customer satisfaction.
- Manage relationships with local suppliers and campus partners for product quality and availability.
- Analyze delivery metrics to identify improvement areas.
- Recruit, train, and manage delivery personnel, ensuring compliance with safety standards.

Goals:

- Achieve a 95% delivery success rate within the first year.
- Reduce average delivery times by 15% over the next year.
- Increase customer satisfaction ratings to 4.5 out of 5 within six months.

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b) Define Critical Competencies / Experience for the Role

Critical Competencies:

- **Leadership Skills:** Ability to lead and motivate a diverse team.
- **Analytical Skills:** Proficiency in analyzing operational data.
- **Communication Skills:** Strong verbal and written communication for team and customer interaction.

- **Problem-Solving Skills:** Ability to address and resolve operational challenges quickly.

Experience:

- Minimum of 3 years in logistics, supply chain, or operations management.
- Preferred experience in a fast-paced, delivery-focused environment.
- Familiarity with logistics software and delivery management systems.

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c) Prepare a Job Profile/Job Description

Job Title: Delivery Operations Manager

Location: [Insert Location]

Reports To: [Insert Reporting Structure]

Job Overview: Seeking an experienced Delivery Operations Manager to oversee daily operations of the delivery team, ensuring efficient deliveries and managing supplier relationships.

Key Responsibilities:

- Lead and manage the delivery team for efficiency and customer satisfaction.
- Develop operational strategies for delivery process improvements.
- Analyze performance metrics for continuous improvement.
- Maintain relationships with local suppliers for product availability.
- Recruit, train, and supervise delivery personnel, ensuring safety and quality.

Qualifications:

- Bachelor’s degree in Business Administration, Logistics, Supply Chain Management, or related field.

- **Minimum of 3 years relevant experience in logistics or operations management.**
- **Proven leadership and team management experience in fast-paced environments.**
- **Strong analytical, problem-solving, and communication skills.**

Working Conditions:

- **Fast-paced startup environment.**
- **Occasional evening or weekend hours may be required during peak times.**

Exercise 5.2: Mock Interview

1. Preparation: Conduct questions on problem-solving, experience in logistics, and familiarity with quick commerce operations.

2. Questions:

"How would you handle a sudden spike in demand during exam season?"

"Describe a challenging logistics issue you've managed in the past."