


# Entrepreneurial Opportunities in Contemporary Business Environment



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# Business Environment

- The term business environment refers to-
  - the aggregate of all the forces, factors and institutions, which are internally affecting the business through management structure
  - as well as which are external to & which are beyond the control of business enterprises.
- Environment refers to forces- ***economic, social, political & technological factors*** apart from internal forces of the organization that are uncontrollable in nature and affects the functioning of the organization.



**Match the following :**

(A)

- (i) Lower Interest rate
- (ii) Demand for Packaged Food
- (iii) Strike in the factory
- (iv) New Methods of Production

(B)

- (a) Political factor
- (b) Technological factor
- (c) Social factor
- (d) Economic factor

- The success of every business depends on adapting itself to the environment within which it functions
  - Ex- with **change in government policies**, the business has to make the necessary changes to adapt it to the new policies
  - Ex- change in technology, may render existing products obsolete

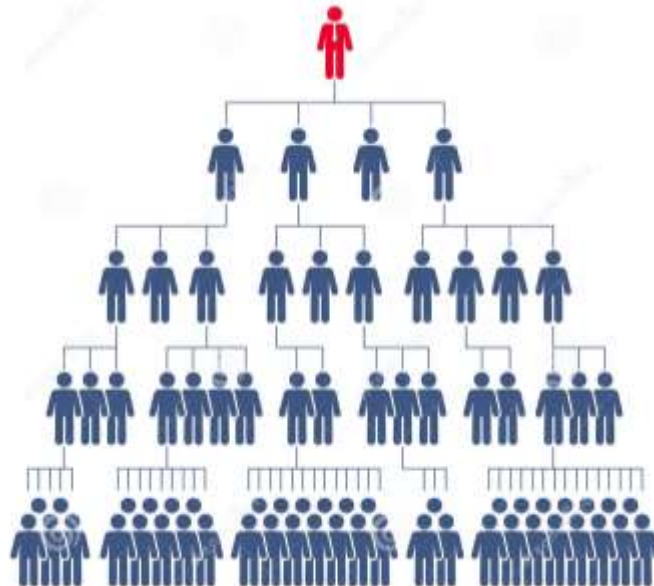


# Emerging Trends in Business

- Analytics- greatest source of ideas for business that don't even exist yet.
- A new ideas of entrepreneurs coupled with advances in technology has lead to a changing business environment.
- Various forms of business organization have emerged –
  - Network Marketing
  - Franchising
  - Business Process Outsourcing
  - E-Commerce
  - M-Commerce

# Network Marketing

- A business model in which a distributor network is needed to build business.
- Multilevel Marketing -payouts occur at more than one level.
- Independent business persons act as a distributors of company's products.
- Each distributor can further engage sub- distributors who can further add other distributors and so on.
- Thus, a network of distributors is formed who operate at various levels.



# Profits for Individual Distributor

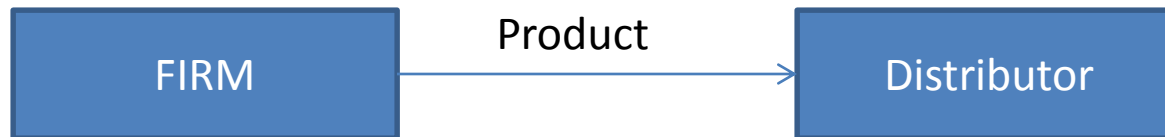
Popular Network Marketing Companies-

- Network Marketing distributor purchase the product at wholesale prices, may either use discounted products themselves or **retail** the products to others for a profit.
- Distributors receives a **commission for their personal volume**, which is the value of every product which the customer buy or sell.
- **Net Commission** on overall turnover from their group personal volume.



# Advantages of Network Marketing

1. Network grows continuously- distributor manage their own sales force.
2. Network companies can maintain higher margins on their products. No Advertisement expenditure & retailer margin.



3. Lower overheads costs as no infrastructure is required
4. Opportunity to earn unlimited income in form of commission & sales revenue of recruits.



# Disadvantages of Network Marketing

- As sales forecasting is difficult, under stocking or overstocking of various products occur.
- Manufacturer do not have effective control over his sales team as distributor take over the control of the company.
- Networker needs extra efforts other than core line of work, which creates risk of failing in business, which happen in 95% such cases.

# Franchising

- A 'franchise' means the special right given by a manufacturer or a parent organization to another individual or a firm to sell the product or service in a given specified area.
- In franchising a firm allows another firm or individual to use technical know-how, trade mark, patents & trade secrets.
- The individual or a firm which grant the right is called as 'franchiser'.
- The individual or a firm to whom the right is granted is called as 'franchisee'.
- The right granted by a franchiser to a franchisee is given under a special agreement known as Franchise Agreement
- Franchising helps to build the chain stores.
- Franchisors success is franchisee success.

# Franchising Advantage

- To the Franchiser
  - Expansion
  - Feedback of local customer preference from franchisee
  - Increased Reputation & Goodwill by expanding the network
  - Rights are protected- only franchisee can use it
- To the Franchisee
  - Ground work check out can be done before committing.
  - Full assistance in staff training, product promotion & designing store layout.
  - Brand Advantage
  - Can satisfy customers by supplying quality products.
  - Exclusive rights

# Franchising Disadvantage

- To the Franchiser-
  - Franchisee may start a similar business
  - Image can be tarnished if standards are not maintained
  - Initial assistance has to be provided
  - Trade secrets are leaked out
  - There are ongoing costs of supporting the franchise & national advertising.
- To the Franchisee-
  - Restrictions
  - Payment of Royalty
  - Conflicts may arise in maintenance of accounts, payment of royalty, violation of quality norms
  - Business cannot be sold without Franchiser permission.

# Business Process Outsourcing (BPO)

Outsourcing is popularly associated with ITES. Also known as BPO. Knowledge Process Outsourcing (KPO) & Legal Process Outsourcing (LPO) are some of the sub-segments of bpo.

Contracting of operations and responsibilities of specific business functions to a third party service provider.

Ex- Coca-Cola outsourced large segments of its supply chain.

BPO is typically categorized into back office outsourcing like-

- Human Resources, finances or accounting
- 24\*7 Customer care service, telemarketing

BPO that is contracted outside the company's country- ***offshore***

BPO that is contracted to a company's neighboring country- ***near shore***

# Advantages of BPO

- Ensuring Smooth operations
- Expansion of Business
- Specialized Performance
- Getting Better Results
- Cost Effectiveness- Outsourcing IT requirement save 30% of company's expenditure
- Skilled Manpower

# Disadvantages of BPO

- Communication Challenges & Different Standards
- Time Zone in off shore bpos can create problems for online meetings
- Loss of control in case of loss of transparency
- Service Provider looks for diversification
- Dependence- Reduces the flexibility

# E-Commerce

- Comprehensive system of trading that uses networks of computers for buying and selling of goods, information & services.
- E-commerce includes buying & selling of-
  - Goods- eg. Digital cameras, music systems, clothes, accessories.
  - Information- eg. Subscription to a site & get access to information.
  - Services- eg shaadi.com, naukri.com

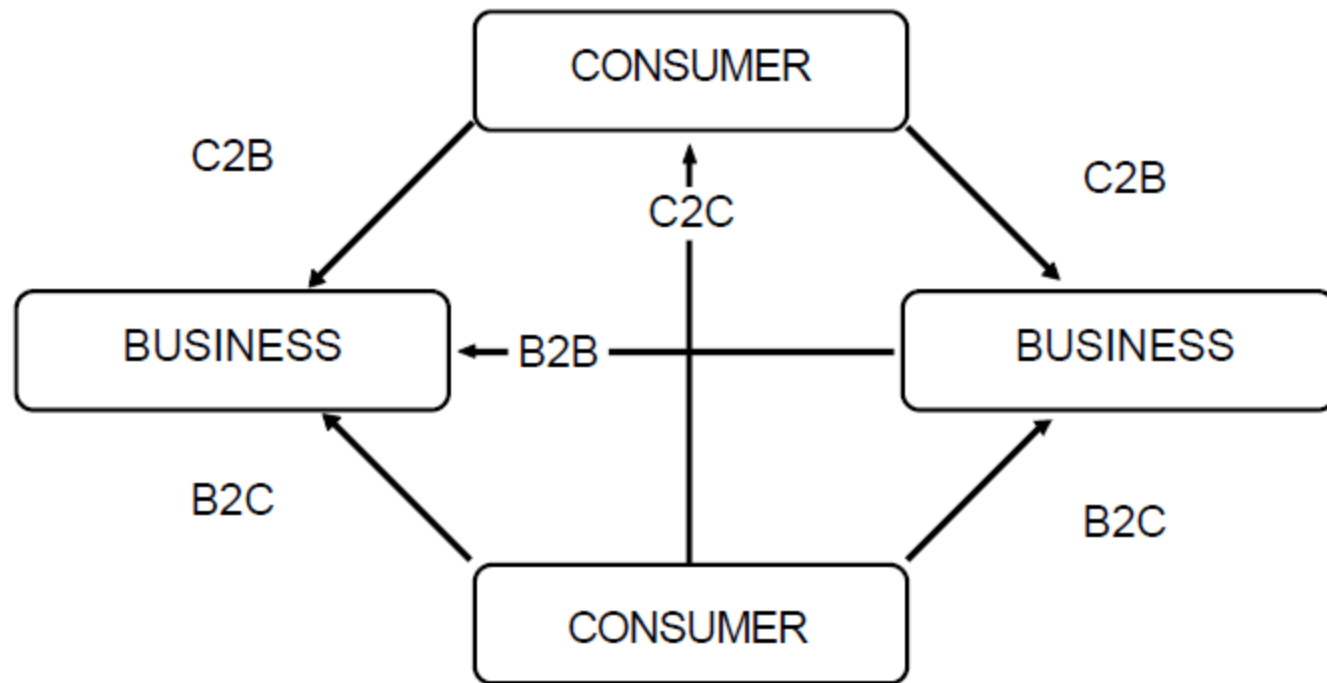


# Types of E-Commerce

- Ecommerce can take place-
  - a) between the companies
  - b) between the companies & the customers
  - c) between the companies & government departments

Based on the type of entities involved in transaction, e-commerce has been classified into the following category-

1. Business to Business (B2B)
2. Business to Consumer (B2C)
3. Consumer to Business (C2B)
4. Consumer to Consumer (C2C)



**Classification of E-Commerce**

# B2B

- B2B e-commerce, or e-biz, is a slightly more evolved version of commerce. This type of e-commerce is the electronic exchange of business documents among businesses for the purpose of conducting commerce.
- This began with the Electronic Data Interchange (EDI), which started in the 1960s. Trading partners within supply-chain networks are typical participants, as they exchange electronic documents in support of the purchasing of goods and services. B2B e-commerce is used for contract manufacturing, customs declarations, global trade compliance, order management and supply-chain logistics.
- By using B2B e-commerce, companies can improve communications among partners and enhance the purchasing experience from business to business.

# B2B examples

- Ex- Company Websites- This software includes site-building tools and templates, database features and methodologies for best practices, plus transaction software.
- Ex- E-procurement websites- These B2B websites enable the exchange of product supplies and procurement.
- Brokering sites act as an intermediary between service providers and a potential business customer. For example, a construction company may need to lease equipment. A broker site can help the construction company find an equipment manufacturer that is willing to lease out the needed equipment.
- Infomediaries- Trade & industry standards organization sites
- Dropbox- storage services
- ADP- Payroll & financial services
- Quill.com, Grainer.com are other examples
- Indiamart

# B2C

- In a Business-to-Consumer E-commerce environment, companies sell their online goods to consumers who are the end users of their products or services. Usually, B2C E-commerce web shops have an open access for any visitor, meaning that there is no need for a person to login in order to make any product related inquiry.
- The most widely known ecommerce businesses, such as Flipkart, Amazon, etc. are ones where a retailer sells directly to a consumer.

# C2B

- In a Consumer-to-Business E-commerce environment, consumers usually post their products or services online on which companies can post their bids. A consumer reviews the bids and selects the company that meets his price expectations.
- Example - Freelancer websites elance.com, where the end-user lists jobs that businesses (either individual or larger businesses) can buy from them. In a way, job portals are also C2B as here, the 'end-user' (the prospective employee) lists their 'product' (resume) to attract businesses to hire them.

# C2C

- In a Consumer-to-Consumer E-commerce environment consumers sell their online goods to other consumers.
- A well-known example is eBay

## Advantage of E-commerce

- Global Advantage
- Lower Transaction Cost & Higher Margin
- Saving of time & effort
- 24\*7 working
- Quick Supplies- less inventory
- Wider Choice
- Customer Convenience
- Launching of new products is easier



# Disadvantages of Ecommerce

- High-start up costs
- High Risk
- Organization require trained staff
- Trained staff is required to maintain the web page
- Fulfillment problems- website crashing during festive seasons
- Lack of personal interaction
- Security
- Viruses can cause unnecessary delays, file backups, storage problems
- Corporate Vulnerability- Access to the competitors
- People's Resistance- Sofa

# M-Commerce

- M-Commerce or mobile commerce refer to buying & selling products through wireless handheld devices such as mobile phones & personal digital assistants (PDAs)
- The phrase **mobile commerce** was originally coined in 1997 by Kevin Duffey at the launch of the Global Mobile Commerce Forum
- Mobile Commerce is often called as "a retail outlet in your customer's pocket."
- M-commerce opened the door for new application & services
- Critical news which people need while traveling is made available- traffic news, weather news, stock market reports
- Ex- Book my show, Paytm

- Advantages-
  - Ready convenient & secure way to do transactions
  - New distribution network is open
  - Large reach
- Disadvantages-
  - Existing technology is not best suited for M-Commerce- slow data transfer
  - Acceptance of m-commerce is slow
  - Poor display in cell phones