Unit - 1 : Entrepreneurial Opportunities

TOPIC-1
Sensing Entrepreneurial Opportunities

Revision Notes

- Entrepreneurs perceive opportunities quickly, synthesize the available information and analyse emerging patterns that escape the attention of other people.
- Entrepreneurs are themselves responsible for the success and failure of the enterprise.
- **Peter F. Drucker** defined entrepreneur as one who always searches for an opportunity. The basic test of a successful entrepreneur is the identification of business opportunity in the environment and initiating steps to produce and sell goods and services to make the best use of that opportunity.
- **Entrepreneur has two basic roles:**
  (i) Sensing Opportunity;
  (ii) Spotter and Project Champion.
- **Entrepreneurship** is the function which involves grabbing of an opportunity, organizing the resources and undertaking the production and other activities.
- A **business opportunity** is an attractive economic idea which could be implemented to create a business, earn profits and ensure further growth.
- **Sensing Entrepreneurial Opportunities** is a process of perceiving the needs and problems of people and society and arriving at creative solutions, initially converting these solutions into opportunity and then into an enterprise.
- **Sensing Opportunities Factors:**
  (i) Ability to perceive and preserve basic ideas; **(ii)** Ability to harness different sources of information;
  (iii) Vision and Creativity.
- **There are five sources to obtain ideas:**
  (i) Problems **(ii)** Change
  (iii) Inventions **(iv)** Competition
  (v) Innovation
- **Elements of business opportunity:**
  (i) Assured market scope;
  (ii) An attractive and acceptable rate of return on investment;
  (iii) Practicability of the idea;
  (iv) Competence of the entrepreneur;
  (v) Potential of future growth.
- **Various stages in the Enterprise Process Diagram:**
  (i) Spotting an opportunity by analyzing the needs and problems that exist in the environment.
  (ii) Evaluating the ideas received from different sources to find a creative solution.
  (iii) Identifying a product or service through innovation.
  (iv) Setting up a project and nurturing it to success.

TOPIC-2
Scanning Environment

Revision Notes

- **Environment scanning** is careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plAns.
- The environmental factors affecting the **macro external environment** are as follows:
  (i) **Socio Cultural Factor:** A detailed analysis of socio-cultural factors will involve a close study of the life styles, beliefs, customs, conventions, practices, etc.
  (ii) **Political Factor:** For entrepreneurship to thrive, a conducive political climate is necessary. The rules and regulations and the laws that monitor and regulate the market forces are framed and promulgated by the government.
  (iii) **Economic Factor:** Closely linked to the political factor is the consideration of economic policies and the general health of the economy.
  (iii) **Economic Factor:** Closely linked to the political factor is the consideration of economic policies and the general health of the economy.
  (iv) **Legal and Financial Factors:** Legal scanning of the environment demands analyzing the legal requirements in the establishment of the project, management of the project and also in getting assistance from different sources.
  (v) **Developmental and Institutional Support Factors:** There are many governmental and non-governmental agencies that extend support, guidance and expertise to entrepreneurs.
- **Environmental factors affecting the micro internal environment are:**
  (i) Suppliers
  (ii) Customers
  (iii) Intermediaries
  (iv) Competitors
  (v) General Public
- **The benefits of understanding the relevant environment of business are:**
  (i) Identification of opportunities to get first mover advantage
  (ii) Formulation of strategies and policies
  (iii) Tapping useful resources
  (iv) Better performance
  (v) Sensitisation of entrepreneurs to cope up with rapid changes
  (vi) Image building
- **PESTEL Model**
  (i) **Political:** The political environment includes taxation policy, government stability and foreign trade regulations.
  (ii) **Economic:** The economic environment includes interest rates, inflation, business cycles, unemployment, disposable income, energy, availability and cost.
  (iii) **Social:** The social/cultural environment includes population demographics, social mobility, income distribution, lifestyle changes, attitudes to work and leisure, levels of education and consumerism.
  (iv) **Technological:** It is influenced by government spending on research, new discoveries and development, government and industry focus of technological effort, speed of technological transfer and rates of obsolescence.
  (v) **Ecological:** It considers the ways in which the organisation can produce its goods or services with minimum environmental damage.
  (vi) **Legal:** It covers areas such as taxation, employment, law, monopoly, legislation and environmental protection laws.

TOPIC-3
Product Identification and Selecting Right Opportunity

Revision Notes

- A problem is a roadblock in a situation, something that sets up a conflict and forces you to find a solution. When an entrepreneur identifies such a road block, he/she is said to have identified the problem.
- On the basis of scanning of environment one can take up a thorough study of ideas of different types. It will also lead to a variety of situations out of which products or services can be selected. This phase is called Generation of Ideas.
- **Generation of ideas** refers to a conscious endeavour to collect ideas from different sources for the purpose of finding a creative answer to a need or a problem. Ideas can be generated in the following ways:
  (i) Brain storming
  (ii) Doing market research
  (iii) Gathering information from publications
  (iv) Seeking assistance from entrepreneurs
  (v) Using hobbies to generate ideas
  (vi) Talking and listening to people
  (vii) Day dreaming and fantasizing
- After generating ideas, all basic ideas have to undergo a vigorous process of close examination, evaluation, analysis and synthesis to become viable opportunities.
- **Idea fields** can be described as convenient frames of reference for streamlining the process of generation of ideas.
  (i) Natural resource
  (ii) Existing products and services
  (iii) Market or demand driven ideas
  (iv) Trading related ideas
  (v) Service sector ideas
  (vi) Creative efforts
  (vii) Other considerations
- After opportunity spotting and scanning of the environment, an entrepreneurial idea should lead to a definite product.
- Steps involved in identifying feasible opportunities are product identification, application and use, level of operation, costing, competition analysis, determining technical requirements and fixing annual turnover and profit margin.
- Selection of a product or service will depend upon the assessment of market demand-supply position.
- Market assessment involves demand analysis, supply analysis, costing and pricing and determining nature of innovations required.
- Trend spotting means identification of new trends which helps entrepreneur to understand the market and produce goods or provide services in sync with the market trends. Ways in which an entrepreneur spots trends:
  (i) Read trends
  (ii) Talk trends
  (iii) Watch trends
  (iv) Think trends
- The entrepreneur should look into various factors before deciding on the opportunity. Even if the opportunity looks promising, an entrepreneur should look into the environmental factors before choosing the best opportunity.

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Chapter - 2 : Entrepreneurial Planning

TOPIC-1
Forms of Business Organization

Revision Notes

- From the point of view of ownership and management, business enterprises may be broadly classified under three categories:
  (i) Private sector enterprises
  (ii) Public sector enterprises
  (iii) Joint sector

- **Private sector enterprises:** The enterprises which are owned, controlled and managed by private individuals, with the main objective of earning profit comes under this category.
- **Private individuals thus could start a venture as:**
  - **(i)** Sole-Proprietorship
  - **(ii)** Partnership
  - **(iii)** Joint Hindu Family business
  - **(iv)** Co-operative organisations
  - **(v)** Company
- **Public sector enterprises:** When business enterprises are owned, controlled and operated by public authorities, with welfare as primary and profit as secondary goals, they are called as public sector enterprises.
- **These enterprises have the following forms of organisation:**
  - **(i)** Departmental undertakings
  - **(ii)** Public corporations
  - **(iii)** Government companies
  - **(iv)** Joint sector enterprises
- **Joint sector** is a form of partnership between the private sector and the government where management is generally in the hands of private sector, with enough representation on Board of Directors by the Government too.
- **Sole Proprietorship:** One of the oldest, simplest and most commonly used form of business organization which is owned financed, controlled and managed by only one person is called as sole proprietorship, single entrepreneurship or individual proprietorship.
- **Characteristics of Sole Proprietorship:**
  - **(i)** Individual ownership
  - **(ii)** Individual management and control
  - **(iii)** Individual financing
  - **(iv)** No separate legal entity
  - **(v)** Unlimited liability
  - **(vi)** Sole beneficiary
  - **(vii)** Easy formation and closure
  - **(viii)** Limited area of operation
- **Suitability of Sole Proprietorship form of business:**
  - **(i)** Capital requirement is limited
  - **(ii)** Confidentiality / secrecy is important
  - **(iii)** Market is local
  - **(iv)** Goods are of artistic nature or demands customized approach
  - **(v)** Quick decision–making is necessary
  - **(vi)** Size of the venture is small
- **Partnership** form of organisation has developed due to the inherent limitations of sole proprietorship i.e.
  - **(i)** Limited capital
  - **(ii)** Limited managerial ability
  - **(iii)** Limited continuity
- **A Partnership** is an association of two or more persons to carry on, as co-owners, a business and to share its profits and losses. Thus, two or more persons may form a partnership by making a written or oral agreement to carry a business jointly and share its proceeds.
- **Characteristics of Partnership:**
  - **(i)** Two or more persons
  - **(ii)** Agreement
  - **(iii)** Profit sharing
  - **(iv)** Unlimited liability
  - **(v)** Implied authority
  - **(vi)** Mutual agency

(vii) Utmost good faith
(viii) Restriction on transfer of shares
(ix) Continuity

- **Suitability**
  (i) Capital and managerial requirements are higher as compared to that of sole proprietorship,
  (ii) Enterprise falls in the category of either being a small or a medium scale enterprise,
  (iii) Direct contact with the customers is essential
- In common parlance, a **Company** means a voluntary association of a person formed for some common object with capital divisible into units of equal value called 'shares' and with limited liability. Company is a creation of law that is the birth of this artificial human being is by law and it can be put to death by law only.
- **Characteristics of a Company:**
  (i) Voluntary association
  (ii) Artificial person
  (iii) Separate legal entity
  (iv) Common seal
  (v) Limited liability
  (vi) Transferability of shares
  (vii) Diffusion of ownership and management
  (viii) Number of members
  Private company:
  Minimum required members : 2
  Maximum members : 200 (excluding employees)
  Public company:
  Minimum requirement : 7
  Maximum number : No limit
  (ix) Limitation of action
  (x) Wind-up is both as per the Companies Act only. It's born out of law and can be liquidated only by law.
- **A Private Company:**
  (i) has a minimum of two and a maximum of two hundred members excluding its past and present employees.
  (ii) restricts the right of its members to transfer shares.
  (iii) prohibits an invitation to the public to subscribe for any shares or debentures of the company or accept any deposits from persons other than its directors, members or relatives.
  (iv) has a minimum paid up capital of one lakh rupees (subject to change).
  (v) uses the word 'Pvt. Ltd.' at the end of its name.
- **Public Company:** Under Section 2(71) of the Companies Act, 2013, "public company" means a company which:
  (i) is not a private company.
  (ii) has a minimum paid-up share capital of five lakh rupees (subject to change).
  (iii) The minimum number of members is seven.
- **Joint Hindu Family/Firm (HUFs):** Joint Hindu Family or Hindu Undivided Family Business is a unique form of business organisation prevailing only in India. It is governed by Hindu law and represents a form which is owned, managed and controlled by the male members of a Joint Hindu Family.
- **Meaning of HUFs:** The HUFs have been defined under the Hindu law "as a family, which consists of male lineally descended from a common ancestor and included their wives and unmarried daughters." The relation of HUFs arises from the status not from legal contracts. Creating HUFs are the best possible way to save taxes.
- **Characteristics of Hindu Undivided Family**
  (i) **Creation:** It arises by status or operation of Hindu Law.
  (ii) **Membership:** A male member becomes a member merely by his birth. By adoption, an outsider can be admitted to its membership but not otherwise.
  (iii) **Management:** The 'Karta' manages the affairs, having unlimited powers. The 'Coparceners' have no right to deal with outsiders or inspect accounts.
  (iv) **Liability:** The liability of Karta is unlimited and that of coparceners is limited to the extent of their share in property which is jointly held by the family.

(v) **Right of Accounts:** The members other than Karta do not have right to inspect and/or copy contents of the account books.

(vi) **Minor as member:** A male from the time of his birth becomes the member in this form of enterprise.

(vii) **Dissolution:** The HUF continues to operate forever as death of members does not effect it. But if all members want to mutually dissolve the firm, they can do so.

(viii) **Implied Authority:** Only the Karta has implied authority.

- **Co-operative Organisations:** A co-operative organisation is a different form of business enterprise as here, the main motive is not earning profit but mutual help. It works with the principle of each for all and all for each.
- The Indian Co-operative Societies Act, 1912 defines, "Co-operative" in Section 4 as, "Society which has its objectives as the promotion of economic interests of its members in accordance with co-operative principle."
- **Features:**

  (i) Voluntary organisation
  (ii) Democratic management
  (iii) Service motive
  (iv) Capital and return thereon
  (v) Government control
  (vi) Distribution of surplus

TOPIC-2
Various Plans

Revision Notes

- Business Plan is a comprehensively written down document prepared by an entrepreneur.
- Business plan has sub-plans related to : Marketing, Finance, Operations, Human, Legal.
- Objective of **Production Plan** is to plan the work in a manner that each step to be taken in the right place, right degree, right time and more efficiently.
- **Operation Plan** is the soul of business plan. It is that part of business plan which describes list of company's operations in advance that was acquired by management for smooth and co-ordinated flow of work.
- **Organisational Plan** is that part of business plan that describes the proposed venture's form of ownership.
- **Financial Plan** is a projection of the financial data about the potential investment commitment needed for the new venture and economic feasibility of the enterprise.
- In order to build up loyal, efficient and dedicated personnel, entrepreneurs need to pay adequate and proper attention to **human resource planning**.
- **Marketing plan** is a guideline regarding the marketing objectives, strategies and activities to be followed by any enterprise.

Know the Terms

- **Economic Activities:** Activities undertaken to earn monetary gains are called economic i.e. activities primarily concerned with Production, Distribution and/or Consumption of goods and services.
- **Non-Economic activities:** Activities done out of love, care, affection, self-satisfaction, emotions, sympathy, patriotism etc. but not for money, are known as non-economic.
- **Profession:** Profession is that occupation in which one professes to have acquired specialized knowledge, which is used either in instructing, guiding or advising others.
- **Employment:** An activity in which an individual works regularly for others and get remuneration in return, undertaking personal services as per the agreement of employment.
- **PAN:** Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued by the Income Tax Department. PAN enables the department to link all transactions of the person with the department.

- **TAN:** TAN or tax deduction and collection account number is a 10 digit alpha numeric number required to be obtained by all persons who are responsible for deducting or collecting tax. It is compulsory to quote TAN in TDS/TCS return (including any e-TDS/TCS return), any TDS/TCS payment challan and TDS/TCS certificates.

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Chapter - 3 : Enterprise Marketing

TOPIC-1
Marketing and Sales Strategy

- Marketing Mix is a combination of four elements viz, product, distribution, price and promotion.
- Marketing Mix refers to the ingredients or the tools or the variables which the marketer mixes in order to interact with a particular market.
- Various elements of Marketing Mix are interdependent.
- Product is any good or service offered for sale by an enterprise.
- Components of Product Mix are Branding, Labelling and Packaging.
- Choice of Product Mix is affected by the factors like profit, efficiency of the enterprise, better customer service, potential to utilize the available know-how, cost reduction, etc.
- Packaging is the process of designing and producing a container for the product. It prevents the degradation of the product due to weather, climate, environment pollution, insects, damage from handling and loss due to accidents.
- Branding is a process of giving a name, sign or a symbol referring to the product to distinguish it from products of similar nature.
- Branding is yet another important component of the Marketing Mix. Branding provides an image and status for the product.
- Pricing is a crucial function of the entrepreneur. Pricing is a process of fixing a monetary value to the product or service against the utility or the experience of the product or the service.
- The price of a product is the amount of money paid by the buyer to own the product or service.
- Price mix refers to the important decisions related to fixing of price of a commodity.
- Pricing decisions are influenced both by economic and non-economic consideration. Some factors that influence pricing are:

  (i) Cost of the production **(ii)** Demand for the product
  (iii) Competition in the market **(iv)** Government regulation related to pricing
  (v) Consumer behaviour **(vi)** Objectives of the enterprise
- Skimming Price Method is a method of setting an extremely high initial price to recover the investment cost at the shortest possible time.
- Penetrating Pricing Method is just opposite to the Skimming Pricing Model. In this model, the price is fixed consciously at a low level with minimal margin of profit. This is aimed at covering a large area of the market so that the product can penetrate into the mass market.
- A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users. In other words, it is a distribution network through which the producer puts his products in the market and passes it to the actual users.
- A channel of distribution consists of three types of flows:

  (i) Downward flow of goods from producers to consumers
  (ii) Upward flow of cash payments for goods from consumers to producers
  (iii) Flow of marketing information in both downward and upward direction
- Types of channel of distribution:

  (i) **Producer-customer (Direct channel-Zero level):** This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers. It is fast and economical channel of distribution.

(ii) **Producer-Retailer-Customer (Indirect-One level):** This channel of distribution involves only one middlemen called 'retailer'. Under it, the producer sells his/her product to big retailers (or retailers who buy goods in large quantities) who in turn sell to the ultimate consumers.

(iii) **Producer-Wholesaler-Retailer-Customer (Two levels):** This is the most common and traditional channel of distribution. Under it, two middlemen i.e. wholesalers and retailers are involved. Here, the producer sells his product to wholesalers, who in turn sell it to retailers.

(iv) **Producer-Agent-Wholesaler-Retailer-Customer (Three levels):** This is the longest channel of distribution in which three middlemen are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his/her entire output to the selling agents.

- A sales strategy consists of a plan that positions a company's brand or product to gain a competitive advantage.
- An effective sales strategy requires looking at long-term sales goals and analyzing the business sales cycle, as well as meeting with sales people about their personal career goals.
- Two basic types of sales strategy : (i) Direct sales strategy, (ii) Indirect sales strategy.
- Components : (i) Product placement, (ii) Promotion, (iii) Testimonials, (iv) Core-selling strategies.
- Promotion includes advertisement, creating awareness about the product among the consumers, educating customers about the use of the product, etc.

TOPIC-2
Promotion Strategy

Revision Notes

- **Promotion** is the method to spread the word about the product or service to customers, stakeholders and the broader public.
- There are various approaches a company can use to promote its products viz.,

  (i) Above-the-line **(ii)** Below-the-line **(iii)** Through-the-line
- **Above-the-line** promotions use mass media methods. This type of promotion focuses on advertising to a large audience. It includes conventional media like print, online, television and cinema advertising.
- **Below-the-line** methods are very specific, memorable activities focused on targeted groups of consumers. They are under the control of the organisation.
- **Through-the-line** refers to an advertising strategy involving both above and below-the line communications in which one form of advertising points the target to another form of advertising thereby crossing the "line".
- Promotion Mix is a combination of communication tools to achieve desired communication effects aiming to inform and persuade customers about the merits of a product with intention.
- The elements involved in the Promotional Mix are :

  (i) Advertising **(ii)** Sales Promotion

  (iii) Personal Selling **(iv)** Public Relations
- **Advertising** refers to a paid form of non-personal communication, presentation or promotion of ideas about goods or services. It is aimed at providing information, developing attitudes and inducing action beneficial to sponsors.
- The primary goal of advertising is to improve the likelihood of the customers to buy the advertised product, it can be through Television, Web advertising, Newspapers, Magazines, Radio, etc.
- **Advertising aims to:**

  (i) Make business and product name familiar to the public.

  (ii) Create goodwill and build a favourable image.

  (iii) Educate and inform the public.

  (iv) Offer specific products or services.

  (v) Attract customers to find out more about your product or service.
- The rules:

  (i) Aim **(ii)** Target

  (iii) Media **(iv)** Competitors

- Commonly used media:
  - **(i) Stationary:** Stationary, which includes letterheads, envelopes and business cards, is a means by which the business image or name identification is projected.
  - **(ii) Window display or office front:** The external presentation of the business office or shop is one of the principal ways of establishing the business image.
  - **(iii) Press advertising:** This is a commonly used form of general advertising and includes advertising in all press such as newspapers, magazines and journals.
  - **(iv) Radio:** Radio is considered by many advertisers as an ideal medium due to its ability to reach specific target groups for example teenagers, racing followers or grocery buyers.
  - **(v) Television:** Television is a powerful advertising medium because it creates impact through sight, sound and movement.
  - **(vi) Direct mail:** This is a broad category covering direct communication with the consumer through email, post or fax. It can include newsletters, catalogues and letters.
  - **(vii) Outdoor:** This is any type of advertising which is done outdoors, including static advertising such as billboards, backs of street benches and bus shelters or mobile advertising displayed on buses, trains, taxis or towed signage.
  - **(viii) Ambient:** Refers to any form of advertising that occurs in a non-standard medium outside the home, and usually where your consumers are likely to be.
  - **(ix) Cinema:** We can purchase cinema advertising by individual cinemas or screens for a Set amount of screenings or "runs".
  - **(x) Point of sale:** Advertising at the point where the consumer makes a purchase decision, e.g., floor stickers, in-store digital advertising, shopping trolley signage, shelf or counter posters or playing documentaries about your product in store.
  - **(xi) Online:** The options for online advertising continue to grow rapidly. They include advertising on your website, advertising on other websites, creating links to your website from other websites, publishing blogs, offering online product games, social networks and forums.
  - **(xii) Directory listings:** Many consumers use business directories to find a supplier. Directories include the yellow or white pages, union directories, trade directories or local business directories.
- **Sales promotion** relates to short-term incentives or activities that encourage the purchase or sale of a product or service.
- **The objectives of the Sales Promotion are :**
  - **(i)** To introduce a new product into the market.
  - **(ii)** To build a bridge between the Entrepreneur and the Customer.
- The major sales promotion activities:

(A) CONSUMER PROMOTIONS

- **(i)** Point of purchase display material
- **(ii)** In-store demonstrations, samplings and celebrity appearances
- **(iii)** Competitions, coupons, sweepstakes and games
- **(iv)** On-pack offers, multi-packs and bonuses
- **(v)** Loyalty reward programmes

(B) BUSINESS PROMOTIONS

- **(i)** Seminars and workshops
- **(ii)** Conference presentations
- **(iii)** Trade show displays
- **(iv)** Telemarketing and direct mail campaigns
- **(v)** Newsletters
- **(vi)** Event sponsorship
- **(vii)** Capability documents

(C) TRADE PROMOTIONS

(i) Reward incentives linked to purchases or sales

(ii) Reseller staff incentives

(iii) Competitions

(iv) Corporate entertainment

(v) Bonus stock

(D) SALES FORCE PROMOTIONS

(i) Commissions

(ii) Sales competitions with prizes or awards

- **Personal Selling** is also known as Salesmanship. The American Marketing Association defines the term, 'Salesmanship' as the 'Personal or Impersonal' process of assisting and/or persuading a prospective customer to buy a commodity or service and to act favourable upon an idea that has a commercial significance to the seller.
- The features of Personal Selling or Salesmanship are as follows :

  (i) It involves personal and individual communication.

  (ii) It relies mostly on verbal messages.

  (iii) It makes an honest effort to induce the customers to buy the products.

  (iv) It is flexible.
- **Public relations** is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organization (or individual) and its (or their) public.
- **The main public relations tools:**

  (i) News creation and distribution (media releases)

  (ii) Special events such as news conferences, grand openings and product launches

  (iii) Speeches and presentations

  (iv) Educational programs

  (v) Annual reports, brochures, newsletters, magazines and Audio–visual presentations

  (vi) Community activities and sponsorships

Know the Terms

- **Trade mark:** A brand or part of a brand that is given legal protection against its use by other firms is called a trade mark. Thus, a trade mark is essentially a legal term, protecting the seller's exclusive right to use the brand name/mark.
- **Brand mark:** A brand mark is that part of a brand which can be recognized but cannot be vocalized i.e. is non-utterable. It appears in the form of a symbol, design or distinct colour scheme.
- **Labelling:** It is the display of information about a product on its container, packaging, or the product itself.
- **Patents:** It grants an inventor the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period of time, in exchange for the public disclosure of the invention.
- **Copyright:** It gives the creator of original work exclusive rights to it, usually for a limited time. It means apply to a wide range of creative, intellectual or artistic forms or work. For example, musical composition, literary work such as poems, plays etc.
- **Industrial design:** It protects the visual design of objects that are not purely utilitarian. It can be a two or three dimensional pattern used to produce a product, industrial commodity or handicraft.
- **Trade Secret:** Any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. For example, Coca-Cola formula.
- **AIDA:**

  (i) Attention: It catches the eye or ear and stands out amid the clutter of competing advertisements.

  (ii) Interest: It arouses interest and delivers sufficient impact in the message or offering.

  (iii) Desire: It creates a desire to learn more or crave ownership.

  (iv) Action: It spurs an action which leads to achievement of the ad's original objective – i.e. it prompts potential customers to purchase or use your product or service.

Chapter - 4 : Enterprise Growth Strategies

TOPIC-1
Franchising

Revision Notes

- **Expansion of a concern may be:**
  (i) Internal expansion **(ii)** External expansion
- **Internal expansion:** Internal expansion results from the gradual increase in the activities of the concern. The concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity.
- **External expansion or Business combination**: External expansion refers to business combination where two or more concerns combine and expand their business activities. In the process of combination, two or more units engage in similar business or related process or stages.
- **Main forms of external expansion:**
  (i) Franchising **(ii)** Mergers and Acquisitions
- Franchising is an agreement whereby a manufacturer or sole distributor of a trademarked product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties to standardized operating procedures.
- A franchise agreement is the legal document that binds the franchisor and the franchisee together.
- **The main ingredients of a franchise agreement:**
  (i) Contract Explanation **(ii)** Operations Manual
  (iii) Proprietary Statements **(iv)** Ongoing Site Maintenance
- **Types of franchising:**
  (i) Product franchise business opportunity **(ii)** Manufacturing franchise opportunity
  (iii) Business franchise opportunity ventures **(iv)** Business format franchise opportunity
- **Advantage to the franchisee :**
  (i) Product acceptance **(ii)** Management expertise
  (iii) Capital requirements **(iv)** Knowledge of the Market
  (v) Operating and structural controls
- **Disadvantages to the franchisee :**
  (i) Right and the only way of doing things **(ii)** Continuing cost implication
  (iii) Risk of franchisor getting bought **(iv)** Inability to provide services

TOPIC-2
Mergers and Acquisitions

Revision Notes

- **Mergers and Acquisitions (M&A)** is a potential strategy for ensuring the accelerated growth of a business.
- **Merger** is a combination of two companies into one larger company.
- **Forms of merger: (i)** Amalgamation, **(ii)** Absorption.
- **Types of mergers: (i)** Conglomerate, **(ii)** Horizontal, **(iii)** Market Extension, **(iv)** Vertical, **(v)** Product Extension.
- **Conglomerate:** A merger between firms that are involved in totally unrelated business activities.
- **Horizontal merger:** A merger occurring between companies in the same industry. Horizontal merger is a business consolidation that occurs between firms which operate in the same space, often as competitors offering the same goods or service.

- **Market extension mergers:** A market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base.
- **Product extension mergers:** A product extension merger takes place between two business organizations that deal in products that are related to each other and operate in the same market. The product extension merger allows the merging companies to group together their products and get access to a bigger SET of consumers. This ensures that they earn higher profits.
- **Vertical merger:** A merger between two companies producing different goods or services for one specific finished product. A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations.
- **Acquisition** means a company buying most, if not all, of the target company's ownership stakes in order to assume control of the target firm.
- **Types of Acquisition: (i)** Friendly, **(ii)** Reverse, **(iii)** Back flip, **(iv)** Hostile.
  - **(i) Friendly acquisition:** Both the companies approve of the acquisition under friendly terms. There is no forceful acquisition and the entire process is cordial.
  - **(ii) Reverse acquisition:** A private company takes over a public company.
  - **(iii) Back flip acquisition:** A very rare case of acquisition in which the purchasing company becomes a subsidiary of the purchased company.
  - **(iv) Hostile acquisition:** Here the entire process is done by force. The smaller company is either driven to such a condition that it has no option but to say yes to the acquisition to save its skin or the bigger company just buys off all its share, thereby establishing majority and hence initiating the acquisition.
- **Reasons for Mergers and Acquisitions:**
  - **(i)** Synergy
  - **(ii)** Acquiring new technology
  - **(iii)** Improved profitability
  - **(iv)** Acquiring a competency
  - **(v)** Entry into new markets
  - **(vi)** Access to funds
  - **(vii)** Tax benefits

Know The Terms

- **Franchisor:** The person offering the franchise is known as the franchisor.
- **Franchisee:** The franchisee is the person who purchases the franchise and is given the opportunity to enter a new business with a better chance to success than if he or she were to start a new business from scratch.
- **Amalgamation:** Two entities combine together and form a new entity, extinguishing both the existing entities.
- **Absorption:** one entity gets absorbed into another. The latter does not lose its entity.
- **Pure conglomerate mergers:** Pure conglomerate mergers involve firms with nothing in common.
- **Mixed conglomerate mergers:** Mixed conglomerate mergers involve firms that are looking for product extensions or market extensions.

Chapter - 5 : Business Arithmetic

TOPIC-1

Unit of Sale, Unit Cost and Break Even Analysis

Revision Notes

- Unit of sale is required to understand the economies of a business in an easy and standardized manner.
- Unit Price per customer $= \dfrac{\text{Total Billed Amount}}{\text{Number of customers}}$

- Unit cost per product = $\dfrac{\text{Total Sale}}{\text{Number of Unit Sold}}$
- Gross profit = Selling price per unit – Cost price per unit.
- Break-Even Point is the level of sales that equals all expenses required for generating the sales. It is neither loss nor profit.
- At Break-Even Level: Total revenue = Total expenses
- Break even analysis helps in setting profit goals and sales targets.
- Sales Mix is the proportion in which two or more products are sold.
- The calculation method for break-even point of sales mix is based on the contribution approach method.

TOPIC-2
Working Capital

Revision Notes

- Money needed to fund the normal, day-to-day operations of a business is known as working capital.
- Operating cycle or cash conversion cycle is the length of time between a firm's purchase of inventory and the receipt of cash from accounts receivable.
- Gross working capital is the sum total of all current assets of the business. These include cash, inventory (raw materials, work in process, finished goods, spares etc.) and accounts receivable (or trade debtors).
- Net working capital is the excess of current assets over current liabilities.

TOPIC-3
Inventory Control, Economic Order Quantity (EOQ), Return on Investment (ROI) and Return on Equity (ROE)

Revision Notes

- Inventory is required directly or indirectly to make a sale (of the end product) and for also getting the final product.
- Inventory control system is designed to bring about expected control over the inventory and its utilization.
- Economic order quantity is the order quantity of inventory that minimizes the total cost of inventory management.
- Re-order point is the level of inventory when an order should be made with suppliers to bring the inventory up by the economic order quantity.
- Carrying cost refers to the total cost of holding inventories. This includes warehousing cost such as rent, utilities and salaries, financial cost such as opportunity cost and inventory cost related to perishability, pilferage, shrinkage and insurance.
- To determine how much to order, E.O.Q. is used.
- ROI is the ratio that reflects the overall profitability of business.
- Investment means the long term funds deployed in business.

Know the Terms

- **EBITDA:** The acronym EBITDA stands for earnings before interest, taxes, depreciation and amortization.
- **Pareto principle:** The Pareto principle (also known as the 80–20 rule, the law of the vital few, and the principle of factor sparsely) states that, for many events, roughly 80% of the effects come from 20% of the causes.

- **Carrying cost:** In marketing, carrying cost refers to the total cost of holding inventory. This includes warehousing costs such as rent, utilities and salaries, financial costs such as opportunity cost, and inventory costs related to perishability, pilferage, shrinkage and insurance.
- **SKU:** SKU is the very basic unit for data collection and further manipulation for deriving meaningful statistics and decision making. Bar Codes and RFID (Radio Frequency Identification) tags are used in tracking etc. using SKU.

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Chapter - 6 : Resource Mobilization

TOPIC-1
Primary Market

Revision Notes

- 'Production', 'Marketing', and 'Financing', deemed as the most important factors for any business survival, rates "Financing" as the first because nothing can be done without money. Thus, the most critical element for success in business is 'Finance'.
- The role of transferring financial resources from the surplus units to the deficit units is what is referred to as "Financial Intermediation". Capital markets play a very vital role of a financial intermediary.
- A capital market may be defined as an organized mechanism meant for effective and smooth transfer of money, capital or financial resources from the investors to the entrepreneurs.
- Types of markets available under Capital Market: **(i)** Primary Market, **(ii)** Secondary Market.
- The market place for new shares is called Primary Market.
- The place where formerly issued securities are traded is known as Secondary Market.
- **Methods of flotation of new issues:** An entrepreneur can raise the required capital in the primary market by the following methods:
  (i) Public issue
  (ii) Rights issue
  (iii) Private placement
  (iv) Offer to the employees

TOPIC-2
Angel Investors and Venture Capital Funds

Revision Notes

- Business angel or informal investor or an angel investor, is an affluent individual who provides capital for a business start-up and early stage companies having a high-risk, high-return matrix usually in exchange for convertible debt or ownership equity.
- Venture capital is a type of private equity capital provided as seed funding to early-stage, high potential, high risk, growth up companies/entrepreneurs who lack the necessary experience and funds to give shape to their ideas.
- Venture capital is an equity based investment in a growth-oriented small to medium business to enable the investors to accomplish objectives, in return for minority shareholding in the business or the irrevocable right to acquire.
- A venture capitalist provides guidance to company and is a business partner sharing both risk and reward.
- **Features of venture capital:**
  (a) It is basically equity finance in relatively new companies.
  (b) It is long-term investment in growth-oriented small or medium firms.
  (c) Venture capitalist not only provide capital but also business skills to investee firms.
  (d) It involves high risk-return spectrum.
  (e) It is a subset of private equity.
  (f) The venture capital institutions have a continuous involvement in the business after making the investment.
  (g) Such institutions disinvest the holdings either to the promoters or in the market.

Know the Terms

- **Volume :** Volume is nothing but quantity of shares.
- **Share trading :** Buying and selling of shares is called Shares trading.
- **Transaction :** One cycle of buying and selling of stocks is called One Transaction.

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