

Case study of new venture creation marketing essay



Introduction:

In today's rapid moving and extremely busy life where almost everybody is multitasking, people are forgetting about the petty things which bring happiness. Gifts always bring a smile on the face, the smile is wider when the gifts touch your heart; and spreads when they are harmless to the environment. This enterprise will provide handmade, personalised gifts and cards made out of recycled articles; at your doorsteps.

Having a good hand at arts and craft, a creative mind and an innovative bend, I never purchased gifts, rather made them myself. It started as a hobby, developed into expertise and became a habit. My first employer was a home tutor, who hired me to make farewell gifts for her 10 students. With scissors and glue as capital, I created personalised pen stands out of toilet paper roles, mobile holders using candy sticks and wind shines out of used CD disks.

Concept statement

TouchArt will start as a sole proprietary home based business providing personalized and low cost gifting solutions and delivery for all occasions. The aim is to release the customers' tension of hunting for the perfect gift and provide maximum customer satisfaction. Recycling and minimizing waste will offer best prices. This will save their time, money and energy which they can concentrate on other important activities. The idea is to move away from electronic emotions and retain human emotions and feelings through the long forgotten traditional gifting and inviting methods. A wide range of choices in the kind of gifts or invitation cards, personalization (names,

photos, personal messages, favourite objects, activities etc inscribed on the cards/gifts) as well as in the delivery method will provide unique experiences like the customers would have never imagined. If they already have their own ideas but not time or way to act upon; we are ready to implement it with added expertise at their command.

Products:

Personalised gifts for all occasions made at home.

Gift baskets and return gifts for large groups of people.

Customised invitation cards and other invitation ideas.

Gifts wraps made up of recycled paper or other substitutes of paper (like fabric, decorative plastics etc)

Services:

Doorstep delivery or posts (single or bulk).

Jingles, poems, songs or personal messages sung or read at your dear ones' doorstep.

Expert consultation and tailored advice for gifting and inviting solutions.

Order placing anywhere, anytime and anyhow.

Flexibility in payments.

USP:

All products, including wraps and packaging will be handmade or custom designed and as far as possible using recycled articles and scrap (like newspaper, magazines, other used paper and paper articles, used plastics etc which are easily found at home or industries). Unique ideas for surprising loved ones will also be offered which no shop or website can provide. Trained experts will personally meet the clients at a convenient place and time offered by the clients to discuss in detail their desired needs, how they want the gifts or invitations to be designed and delivered where, when and how. Alternatively, orders can also be discussed via telephone or email.

Secondary Research

Since my business started at home, it will be expanding from Mumbai, India. Mumbai is India's financial capital, largest and busiest city also considered as the business hub with rapid development of corporate and jobs.

This business falls under small enterprise, retail, lifestyle, outsourcing service, recycling as well as stationary industry.

Industry Analysis

According to Economywatch report (2010), “ Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, 42 million employments, create one million jobs every year and produce more than 8000 quality products for the Indian and international markets.” Speedy technological advancements have led to reduced communication cost in this field. This industry is moving towards becoming more consumers oriented

and providing cost effective prices. The government also supports this sector by providing various grants, concessions and incentives. According to Key Note Media Centre press release (2010), Stationary is a rapidly expanding global market in India. With an estimated growth of 10 – 15% per annum, this sector is booming in terms of innovation, knowledge, employments, exports, tax revenues etc. Many MNCs are already using India as an outsourcing hub. However, this industry faces major competition from China which has more production capacities, better infrastructure, lower tax rates and beneficial government policies. The following table from ingene.blogspot.com shows shifting trends in this sector:

According to A. T. Kearney's Global Retail Opportunity Report (2007), Indian youth accounts for 60% of Indian population. These youth are already eco-cool and moving towards more cultural and traditional methods of lifestyle and encouraging healthier and eco-living. (Questionnaire and focus group results) Some Indian companies like Pepsi and Hindustan Lever have identified "focus on health and well being", "return to nature" and "increased social consciousness" as emerging trends. (ACNielsen Consumer Confidence and Opinions Survey, 2007) Dharavi district in central Mumbai offers ample scope for this sector with ever increasing and substantial amounts of recycling industry and 15, 000 single room factories. Recyclable wastes from all over the city are processed here. (mumbaiproperties.info, 2010) Thus a major source of raw materials for TouchArt business is readily available at close proximity.

The field of entrepreneurship is also very novel and deafening in Indian markets. The National Knowledge Commission's report (2008) shows the following growth trends:

Social and personal services are one of the emerging sectors in Indian markets and at the highest level of entrepreneurial activity and importance. Also, there has been a tremendous increase in the number of companies registered in this sector. Starting with 1000 companies in 1991-92, there are around 3000 companies now which is the highest figure ever. Firms in this sector have always outnumbered those in other three areas . i. e. old economy or traditional, trading, agricultural and other sectors.

Market Analysis: from national to regional.

India, with a current GDP growth rate of 7. 3%, offers a very attractive market for starting a new enterprise. According to the forecasts given by McKinsey Global Institute, India will develop into the fifth largest consumer market in the world by 2025 with a market size of US\$ 1521 billion. Indian consumer market will soar to \$1500 billion with 68% of its growth contributed by urban areas. (india-reports. in, 2010)

Project income levels are expected to triple in 25 years and number of people belonging to middle class families is anticipated to escalate from the current 50 million to 583 million. This is because of the ever increasing population and workforce thereby resulting in 100% raise in their real spending power as shown below. (McKinsey Global Institute's research report, 2007)

Another survey by ACNielsen Consumer Confidence and Opinions (2007) revealed interesting findings; “ even as India once again topped the 45-country survey with a consumer confidence index of 137, suggesting the highest optimism about the future, Indian consumers do not seem to be willing to spend much.” These conservative consumers do not demonstrate freewheeling shopping habits and deposit most of their spare cash in investments like shares, mutual funds etc; or save it in their banks accounts. Such consumer behaviour illustrates that market potentials have not been exploited completely thereby offering us ample opportunities to perform and prosper by making our services more relevant to them. It is this spare cash that we are targeting at as Indians are now willing to spend a little extra for their convenience. (Questionnaire and focus group results)

According to the Maharashtra Development Report (2007), number of urban units in this state is raising at an increasing rate. Out of the six classes of cities in 2001, 80% urban population lives in class 1 cities. Mumbai is a primate class 1 city with a population of 11, 914, 398 and a literacy rate of 77. 45% which is higher than the national average of 64. 8%. (Census, 2001) This offers a huge attractive customer base. The World Gazetteer extrapolations (2008) show a tremendous increase in this population as 13, 662, 885 in Mumbai and 20, 870, 764 in Mumbai Metropolitan Area. (mumbaiproperties.info, 2010)

Target customers and their needs:

Busy working class: Most adults in the family are now working which gives them very little spare time but more disposable income for time consuming activities like gift shopping, personally inviting a long list of guests etc.

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Rich upper class: Convenience-lovers, getting personal work done by others are luxury for them; they like being pampered and spend for status symbol.

Corporate Bodies: Companies often send gifts and invitation to their clients, staff, employees' families, customers and other stakeholders, spend to enhance their personal and professional image, organizations add to their goodwill by caring for the environment and reaching out to their stakeholders personally.

Groups: Kitty parties, societies and other groups, show concern towards recycling, want updated information about latest trends, fashion etc.

Youth and others: believers of non-conventional ways, think different, prefer 'Hard to find' unique items/ideas, green/eco consumers etc. (questionnaire and focus group results)

The Report on Working Class Family Income and Expenditure Survey (1999-2000) shows that Mumbai has 14. 43 lakh working class families with 20. 16 lakh people employed. 99% families reported expenditure on savings and investments. Out of the total average monthly income of Rs 7594. 84, 89% families have an average surplus income of Rs 2080. 75 over an average monthly expenditure of Rs 5514. 09. This 28% of income which is either saved invested or now being spent on convenience and comfort is our target concern.

Ernst & Young director retail industry Ashok Rajgopal (2007) stated “ By targeting the youth population in India, retailers will be investing in the future as they will be able to influence and create loyalty from the start.”

Especially due to India's rising affluence rate and favourable psychographic and demographic conditions, there is a huge demand for luxury and lifestyle products and services here.

Competition:

This concept does not exist in India. It is a new innovation and hence has no direct competition. Indirect competitors in Mumbai include:

Gift/novelty/souvenir shops: above 300 shops and 7 companies.

Handicraft shops: above 218 shops and 14 companies.

Stationary shops: above 722 shops and 17 companies.

(yellowpages. webindia123. com, 2010)

Major brands like Archies Galaxy, Shoppers Stop, Lifestyle, Florida, 49 to 99 etc dominate in Mumbai but cater only to high-income groups due to high prices or less accessibility. Few websites like moonpig ecards etc are very rare and unknown. None of these competitors consider recycling or personal delivery. In view of Hand and Sineath (2010), performance of gift/novelty/souvenir stores is often allied with five key factors . i. e. quality of the products, service convenience, price – value relationship, specialization and management expertise. TouchArt intends to excel in all these aspects better than the competitors. The strategy is to provide better quality products and more customised and prompt services than them and aim at total consumer convenience and satisfaction at lower cost. With regular updating of market trends, new fashion, current prices etc, shopping

with us will be made easier, more convenient and cost effective. A shift of approach from materialistic to humanistic is already emerging from the fact that handwritten messages in cards are more valued than printed ones.

(Questionnaire and focus group results)

Marketing and expansion:

The first customers shall be developed from personal references. India being a country of diverse cultures and traditions, trade fairs and exhibitions are often held on festivals like the famous Kumbh Mela, Bandra Fair etc. These provide scope for demonstrating the products and services to all kinds of customers and suppliers. Strong interpersonal relationship with all stakeholders shall furnish word of mouth marketing and help the business grow. Sending occasional gifts to them, which act as a promotional tool, shall retain customer and supplier loyalty. Their database shall be maintained to remember dates, occasions, likes and dislikes etc and provide gifting suggestion on days of importance to them. Their feedback shall be used as a measure for improvement and innovation. According to Jolson and Spath (1973), success of gift/novelty/souvenir stores is determined by four key factors . i. e. quality of the products, services offered, specialization and price - value relationship. All these factors are well groomed in TouchArt business.

Financial Implications:

Initial and working capital shall be low (approximately Rs 20, 000-30, 000) since recycled materials and scrap that are easily available at homes, shops, offices and factories will be used as far as possible. Other materials include

stationary articles and other miscellaneous items. The fixed costs would include:

Promotional materials like business cards, catalogues, brochures etc (self-designed on recycled paper). (Rs 10, 000)

Internet connection, telephone line and instrument. (Rs 10, 000)

Computer, printer etc for designing products and maintaining database. (Rs 50, 000)

Bicycle (non-polluting) for small orders. (Rs 10, 000) Later a delivery van/vehicle for bulk orders.

Since this will start as a home based business, products can be made at home or any small space with little training. For bulk orders, an empty room, ample time and lots of dedication shall be required. An initial start up capital of around Rs 100, 000 will be required. During the first year, low introductory costs with minimal profit margin over the expenses incurred will make our products and services affordable to all. More employees, capital assets and greater profit margin shall be added once the sales stabilize.

Primary Research

Online Questionnaire Survey:

From an online survey of 100 people (mostly Indians), it is determined that this business has great potentials to flourish. These people ranging from teenagers to 60 year olds are studying, working or both or unemployed and belonged to all three income-groups (Figures 1, 2 and 3).

Almost all respondents believe in buying gifts. Out of these, birthdays and anniversaries are seen as the most celebrated occasion. 36% buy gifts on other festivals and occasions, 18% on visits to and from guests, 10% for corporate employees, their families, clients, customers etc and 33% like to give surprise gifts without any occasion. India being a multicultural nation with hundreds of diverse festivals and occasions provides great scope for business throughout the year. (Figure 4)

One third respondents are price conscious while 54% sometimes considered price when buying gifts. They serve as customers for the low cost homemade gifts or those made out of recycled materials. The rest 13% said price did not influence their choice and hence shall be attracted to the added services offered like personal delivery or adding personalised surprise elements etc. (Figure 5)

Around 76% people are environmentally conscious and will be attracted by the USP of using recycled waste. Rest 24% may not care for nature but may still be fascinated by the USP of personalized, handmade designs and unique surprising ideas. (Figure 6)

This is supported by the fact that out of the five choices provided, 83% preferred personalised gifts, 43% handmade and handicrafts, 40% eco-friendly gifts only around 20% chose luxury/cheap items. (Figure 7)

More than three quarter of participant organized parties and events. Though most people preferred quick means of invitation like mail, phone or SMS, almost 69% respondents still preferred to invite their guests personally.

These people would certainly be interested in trained professionals delivering their messages and/or cards personally. (Figures 8 and 9)

Unstructured Focus Group Discussion:

This idea received 94% positive responses. Participants described this service as interesting, innovative, creative, cool, convenient, easy and beneficial. The personalised additions and surprise elements made gifts more interesting, added warmth to the feelings and had greater impact than usual gifts/messages. Some said there is a need to save time and energy as life has become hectic. Hence personal delivery should work in today's busy schedule. Even those who do not throw parties themselves found this service as a better way to organize one. Others preferred TouchArt because it encouraged eco friendly lifestyle.

Some positive and negative comments of participants are attached in appendices.

Conclusion

Thus from primary and secondary research results, it is evident that this business has great scope for flourishing in Mumbai metropolitan areas and setting new trends in recycling, lifestyle and leisure industry. Anticipating that this idea will soon be copied by other retailers, the aim is to excel in our USP and provide friendly, unique and most convenient services. With the ability to determine what exactly our clients need, TouchArt products/services shall soon be converted from luxury to demand.