UNIT 4 ENTREPRENEURSHIP AND FOOD SERVICE MANAGEMENT

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4.1 INTRODUCTION

In Unit 2 and 3 we learnt about the importance of planning, the steps involved in planning and the modalities involved in setting up a food service establishment. Having gone through these units certainly you have a better insight into planning and establishing the physical facility for food service unit. An entrepreneurial venture in catering services is a fast growing ground. A classical example is the Oberoi group of hotels which started small by an individual as an entrepreneurial venture but has grown into a large business today. Unit 4 focuses on entrepreneurship and food service management.

Entrepreneurship or Self Employment is being increasingly recognized as a highly effective and viable alternative to wage employment, which offers limited opportunities. Entrepreneur is society's single most productive force and chief instrument of economic progress. The entrepreneur, by definition is a change producing force in the economy. "The Theory of Economic Development," 1934, stated that *Entrepreneurs do things that are generally not done in the ordinary course of business*. They are business leaders, who by virtue of their initiative accomplish extraordinary results. This unit therefore focuses on entrepreneurship and characteristics of entrepreneurs. The unit will describe the various components of entrepreneurship development and help you identify the buisness requirement for food services.

Objectives

After studying this unit, you will be able to:

- define entrepreneurship and characteristics of entrepreneurs,
- describe how entrepreneurship has influenced economic development and productivity in recent years,
- discuss the concept of creativity and innovation relating to entrepreneurship,
- identify business requirements for food products and services,
- explain the various components of entrepreneurship development, and
- enumerate the merchandising skills specially for entrepreneurs in catering ventures.

4.2 A CONCEPTUAL PERSPECTIVE OF ENTREPRENEURSHIP

The kind of work that entrepreneurs do and for that matter is about to start is just not easy to pinpoint. They are also a class of people that are not easy to identify. However these are the professionals that you may come across as running a one-man industries and ranking in good amount of monetary profits. Look out for the vendor in your local market selling dal, vegetable, hot chappatis for catering to the socially less privileged like labourers, mechanics, shopkeepers etc. who can get a hot meal on demond. Or for example the next door neighbour who provides packed lunches to office goers and single individuals. You would come across many such entrepreneurs.

Entrepreneurs are the individuals that carve a niche market, and make sure that this niche does not conflict with their overall business plan. For example, a small bakery that makes cookies by hand cannot go after a market for inexpensive, mass-produced cookies, regardless of the demand. However, it can have its own patrons of cookie eaters and buyers. Therefore how should we go about defining an entrepreneur, let us find out in our next section.

4.2.1 Defining Entrepreneurship

Robert Ronstadt, defines entrepreneurship as "*The dynamic process of creating incremental wealth*." This wealth is created by individuals who assume risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique, but value must some how be infused by the entrepreneur by securing and allocating the necessary skills and resources. *Schumpeter*, however described entrepreneurship as a force of "*creative destruction*," whereby established ways of doing things are challenged or destroyed by the creation of new and better ways to get things done. The changes may be marginally small, but can be extraordinarily powerful, like the transformation of crude oil into an energy resource.

Next, let us get to know who is a entrepreneur?

4.2.2 Who is an Entrepreneur?

Despite the above definition, it is not easy to identify entrepreneurs or determine what they do? Is a local garage owner an entrepreneur? Is a franchise an entrepreneur? Is a computer retailer an entrepreneur? Is a real estate agent an entrepreneur? Or is a food service provider an entrepreneur? There are no short answers to these questions and there are no formal guidelines for classifying entrepreneurs. According to economists, entrepreneurs bring resources together in unusual combinations to generate profits. Psychologists view entrepreneurs in behavioural terms as achievement oriented individuals, driven to seek challenges and new accomplishments.

So then what are the characteristics of an entrepreneur? Let us find out.

4.2.3 Characteristics of Successful Entrepreneurs

Using extensive surveys and interviews, *John Hornaday* of Babson College, U.S.A., developed a composite list of entrepreneurial traits, shown in Figure 4.1.

- Self confident and optimistic
- Able to take calculated risks
- Respond positively to challenges
- Flexible and able to adapt
- Knowledge of markets
- Able to get along with others
- Independent minded
- Versatile knowledge
- Energetic and diligent
- Creative, need to achieve
- Dynamic leader
- Responsive to suggestions
- Take initiative
- Resourceful and persevering
- Perceptive with foresight
- Responsive to criticism

Figure 4.1: Characteristics of successful entrepreneurs

The characteristics mentioned above are specific to successful entrepreneurs. Do you possess these skills/characteristics? If yes, you have it in you to be a successful entrepreneur. We shall dwell further into what role does creativity and innovation has to play in entrepreneurship next.

4.3 CREATIVITY, INNOVATION AND ENTREPRENEURSHIP

According to *Peter F. Drucker: "Admittedly, all new small businesses have many factors in common*. But to be entrepreneurial, an enterprise has to have special characteristics over and above being new and small. Indeed entrepreneurs are a minority among new business. *They create something new, something different; they change or transmute values*." This viewpoint helps us to explore how entrepreneurs create wealth by creating something new or different and how opportunities arise.

Very often the terms "*Creativity*" and "*Innovation*" are used inter changeably. Webster's dictionary defines creativity as "*the ability to bring something new into existence*". This emphasizes ability, not activity. A person may conceive of something new and visualize how useful the idea will be, but not necessarily take action to translate it into a reality. *Innovation* on the others hand is the process of doing new things. This distinction is important. Ideas have little value until they are converted into new products, services, or processes.

We shall now examine the two concepts in some detail.

4.3.1 The Creative Process

Ideas generally evolve through a *creative process*, where by imaginative people generate ideas, nurture them and develop them successfully. This is depicted in the following model of the creative process illustrated in Figure.4.2.

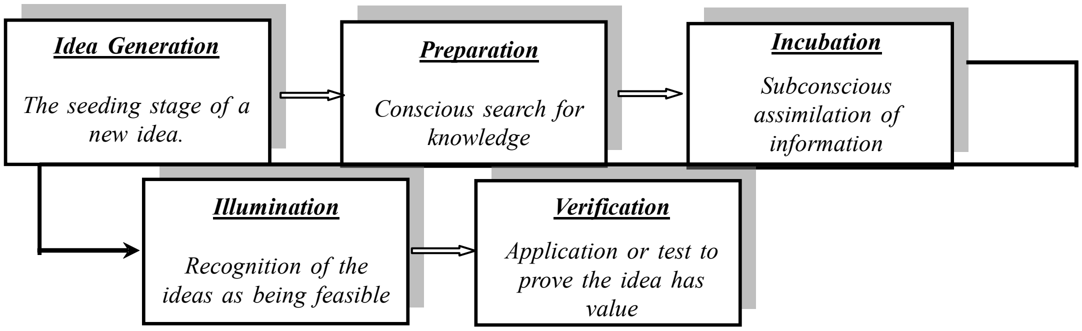


Figure 4.2: The creative process

Let us review these processes. We begin with idea generation.

Idea Generation

Most creative ideas can be traced to an individual's interest or curiosity about a specific problem or area of study. An entrepreneur can even create a business out of a hobby. For example, if a housewife experiments with new dishes as a hobby. She may one day perhaps create a home-based business out of this hobby. Ideas for new market offerings can come from any of the following sources: (a) Present work environment, (b) Vision of opportunity (c) Improving existing technology, product, service (d) Brain storming (e) Trade publications (f) Focus groups (g) Technology transfer agencies.

Preparation

The next stage is a conscious search for answers, seeking more information about the problem and how others have tried to resolve it. It may involve market research or laboratory experiments to find out more. This may be termed as an idea screening stage, for assessing the opportunities available for putting the idea into practice. The questions that need to be asked are: Is this something that has been overdone? Has it been executed poorly in the past? Has anyone else thought about it?

Incubation

Notwithstanding, brilliant, sudden flashes of genius, very few ideas come from thunderbolts of insight. Most of them evolve in the minds of creative people, while they are involved with other activities. The subconscious mind is allowed to assimilate information and mull over it. When we are relying on the subconscious, our minds are unhindered by limitations of human logic. The subconscious mind is open to unusual information and knowledge that we cannot assimilate in the conscious stage. In short, the idea is allowed to incubate, often leading to a resolution of the problem.

Illustration

There comes a moment in time when a creative individual may exclaim "Oh I See." Clearly these are people who seem to have an uncanny ability to spot and exploit opportunities. *Art Fry of 3M* company created Post-it-notes, as a result of trying to make nonsolid book markers. He spent several years working on the idea, requiring extraordinary work and commitment, before the mist finally cleared. This is "*Illumination*". Illumination may be triggered by an opportune incident, like *Fleming*, when, we watched his penicillin attack infectious bacteria under a microscope.

The important point here is that, creative people go through many cycles of preparation and incubation, searching for that 'spark' of illumination to give their idea full meaning.

Verification or Validation

Entrepreneurial effort is essential to translate an illuminated idea into a verified and useful application. Verification is the development stage of refining knowledge into application. This is often tedious and requires perseverance by an individual committed to finding a way to "harvest" the practical results of his or her creation. Figure 4.3 depicted herewith serves as a checkpoint for validating the idea.

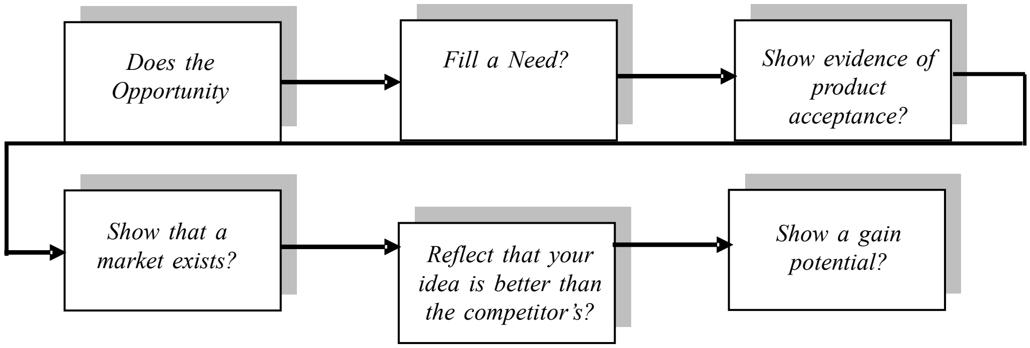


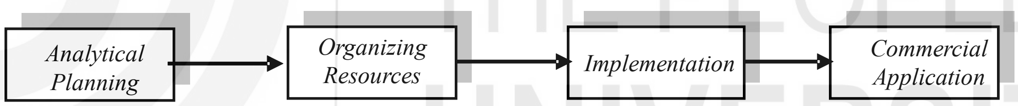
Figure 4.3: The process of idea validation

It is important to understand that quite often a good idea has already been developed and the aspiring entrepreneur finds that competitors already exist.

In the discussion above we reviewed the creative process relating to entrepreneurship. Next, let us study the innovation process.

4.3.2 The Process of Innovation

Joseph Schumpeter concluded, "*If creativity is the seed that inspires entrepreneurship, innovation is the process of entrepreneurship*". Innovation implies action as mentioned earlier, not just conceiving new ideas. It is the *transformation of an idea or resources into useful applications, which results in new products, services or processes*. The elements in the process of innovation are shown in Figure 4.4.



– **To Identify**	– **To Obtain**	– **To Accomplish**	– **To Provide**
– Product Design	– Material	– Organization	– Value to Customers
– Market Strategy	– Technology	– Product Design	– Rewards for Employees
– Financial Need	– Human Resources	– Manufacturing	– Revenue for Investors
– Capital	– Services	– Satisfaction for founders	

Figure 4.4: Translation of creative idea into a useful application

Analytical planning, organizing resources, implementation and commercial application are the elements in the process of innovation. For an idea to have value, it must be proven useful or be marketable. To achieve either of these, the idea must be developed.

Before we move further, let us recapitulate what we have learnt so far. A recap of the important steps in the creative process is already given herewith. Answer the questions given in check your progress exercise 1 and recapitulate your understanding of the concepts discussed so far.

RECAP: Important steps to remember in the creative process.:

- Idea Generation
- Preparation
- Incubation
- Illumination
- Verification or Validation

Check Your Progress Exercise 1

1) List some characteristics of successful entrepreneurs.

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2) Identify a few major sources of new product ideas.

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3) Explain briefly as to what do you understand by idea generation?

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Now that we are aware about the concept of entrepreneurship and the characteristics of an entrepreneur, next let us focus on business requirement for food products.

4.4 BUSINESS REQUIREMENTS FOR FOOD PRODUCTS

Going into business can be very confusing. Starting a food processing or service business adds more complications. Hundreds of new products are introduced each year in the food industry. A new product can be defined in many ways. One accepted definition is "*A product or a service which is offered to the customer for the first time*". A new product may be a brand, a line of products or an addition to the existing line of products. The purpose of developing and introducing a new product or service is to achieve success, which is measured by profit. The initial and repeat purchase of the food item is the ultimate key to profitability. Let us then consider the questions an entrepreneur needs to consider before he/she starts a business related to food product.

4.4.1 What an Entrepreneur Needs to Consider

There are three basic questions that an entrepreneur needs to answer, before he/she begins his/her journey into the food business. The answers to these questions will change as the business grows. There are things to consider how the business will operate initially. The *Three Basic Questions* include:

WHAT is the entrepreneur's product?

— What are the specific ingredients?

— What are the sources of these ingredients?

— What are the costs of ingredients?

— What is the availability of these ingredients?

HOW will this product be processed and packaged?

— How will the product be packaged and determining the cost of packaging?

— How will the entrepreneur obtain and maintain a production facility and equipment?

WHO will be the ultimate consumer of the product/service?

— Who will actually deliver the product to the customer?

— Who will be the intermediaries in delivering the product and how much will they charge?

Besides considering the above mentioned questions, government requirements are also to be considered. Let us read this aspect next.

4.4.2 Government Requirements

Both, manufactures and food service providers, as stipulated by the Ministry of Food Processing Industries, will generally be required to state the following, depending upon regulatory laws in force at a given point of time:

- Proposed equipment listing
- Layout of the facility
- Plumbing specifications
- Lighting specifications
- Source and storage of ingredients
- Processing steps
- Quantity control checks
- Food safety and sanitation training.

The labeling requirements as discussed next are also crucial.

Labeling Requirements

Generally all food labels must contain the following items:

- *Product Identity* – What exactly is in the package in common terms? For example, Pineapple jam, Garlic pickle etc; it must also include the form of food (e.g. sliced or whole).
- *Net Quantity* – The weight of the actual product in the package must be stated in grams. "The weight should be rounded off ".
- *Ingredient/Content list* – Includes all items used in creating the product. Common names should be used. Food colouring and preservatives must be identified.
- *Name and Place of the Manufacturer/Packer/Distributor* – All relevant details should be included.
- *Universal Product Code* (UPC) – Wherever applicable, a twelve digit numeric code, which identifies a particular product, must be specified. It also helps in inventory control and tracking sales.

Refer to Figure 4.5 which illustrates a food label.

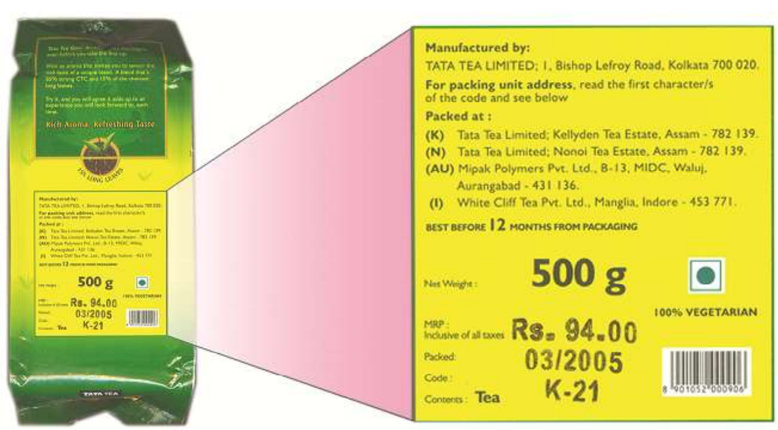

Figure 4.5: A food label

The issues related to marketing are discussed next.

4.4.3 Marketing

Marketing is the act of communicating the existence of a product with all its benefits to the customers and making them want to buy it. It also includes getting the product to the place where the customer can buy it.

The process of marketing is broken down into four elements, known as the ***4P's***, or the *Elements of the Marketing Mix*. The 4P's are:

- *Product* – What is being sold and how it is packaged.
- *Price* – How much is the product being sold for?
- *Place* – How will the product reach the end user? This process is commonly known as distribution.
- *Promotion* – Also known as marketing communication. How will the customers get to know about the product and make them want to buy it?

Let us further review the 4P's in greater details.

A) ***Product*:** It has to be decided how the product will uniquely satisfy the customer's needs. This can be done through taste, conveniences, packaging, image, price, quality, source of ingredients, processing and many other characteristics. Important things to consider in product development are: quality control, sourcing of ingredients, packaging, labeling and storage etc.

B) ***Place* (*Distribution*):** This refers to where the target customer will buy the product, and how the entrepreneur decides to reach his customers. Factors which influence these decisions, may include: product storage (frozen, refrigerated, shelf stable) transportation, and warehousing. The players involved in distribution could include:

   a) *Food Manufacturer*: The person who adds value to the raw material and makes the actual (final) product.

   b) *Broker*: Is a person or organization who sells the product to distributors, wholesalers or retailers on a commission. For small business, a broker sometimes works as a sales person.

   c) *Distributor*: This channel buys the product in bulk at a discounted price and resells them to wholesalers and retailers.

   d) *Retailer*: This business sells the product directly to the customer. It may require support from the manufacturer in terms of sales force, merchandising, advertising and promotions.

C) ***Price*:** In the food Industry, pricing decisions can be fairly complicated. Pricing can be set to position the product in the market place. It can determine the image of the entrepreneur's product and/or company in the market place. When fixing the price, the following cost components need to be considered:

   - *Cost of Goods Sold*:
     — Cost of ingredients/raw materials
     — Cost of packaging and labeling
     — Direct labour
   - *Cost of Marketing*:
     — Cost of shipping (transportation)
     — Broker's commission
     — Distributor discounts
     — Retailer discounts.

Since cost of goods sold and cost of marketing are incurred per unit of the product, they may be considered as variable costs. Any set of costs, called *Fixed Costs*, which have no relationship, whatsoever with the number of units produced are the following:

— Rent
— Utilities
— Salaries
— Insurance
— Equipment

The price determined by the manufacturer (provider) will be determined by three factors: (a) Cost per unit of the item (b) Price charged by competitors and (c) Product uniqueness or positioning strategy (should the product be a premium, high priced offering or a quality bargain).

Profit margins are used in the food industry to establish price. This means that distributors and retailers take the entrepreneur's price and mark it up by a specific percentage to get their profits.

D) ***Promotion*:** As stated earlier, an entrepreneur has to communicate to his target audience about the benefits of his product or service. This, in business parlance is termed as *promotion*.

In terms of food products, there are several, standard promotional tools:

— *Product Literature*: There are two types of customers here; Trade (distributors, retailers etc.) and consumers. Each audience will be interested in different facts about the product. Trade literature focuses more on features of the product, whereas, consumer literature includes, price, testimonials and product facts.

— *Publicity*: Publicity is unpaid advertising. It is often perceived as more credible than paid advertising. Hence it may be a good idea to use press releases and promotional opportunities to capitalize on available publicity.

— *Advertising*: This involves mass communication directed towards a specific audience. Since it is an expensive form of promotion, the target market and marketing objectives must be clearly defined, for it to be effective.

— *Trade Shows*: Trade shows give direct access to a target market. People attending trade shows are usually serious, potential customers. They also provide an excellent opportunity for networking in the industry to identify distributors, retailers, brokers and competitors.

All aspects of promotion can be very expensive. That is why it is imperative that the entrepreneur must establish his marketing plan, before he embarks on any promotional campaign.

In this entire process you would have noticed that the customer is the crucial link. Let us get to know more about this.

The Customer

The entrepreneur must identify his target market specifically in terms of who will actual buy or consume the product. It should include demographic information such as – Age, Sex, Family Size, Income, Occupation, Education, Social class etc. – related to the customer.

It should also include information on lifestyle and attitudes of prospective customers. With this information, the entrepreneurs can refine his distribution and promotional decisions, so that he spends his money and efforts on products/services that will reach the customers most likely to buy his products.This information can be obtained through product research, by way of taste tests at festivals or social gatherings. This way we can get a general idea of the population to whom the product appeals.

Information on general trends in the food industry can be sourced from food publications, Government agencies and the internet.

Once the entrepreneur knows who the target customers are, he should also find out what the alternatives are in terms of competitors.

Competitors

Competitors may not offer exactly the same product, but their offering may fulfill the needs and wants of chosen customers either equally or better. Competition can be analyzed through trade publications or observation. The internet can also be put to effective use for this purpose.

Once the different aspects related to the product, government requirements and marketing have been taken care of, the next step is to develop a buisness plan. Let us next see how this is done.

4.4.4 Developing the Business Plan

Developing the business plan, involves asking the right questions: Once an opportunity has been identified, decisions must be made regarding performance and staffing. Who is going to do what? How will decisions be made? The business plan should fully capitalize on all the company's assets, while also maintaining flexibility. It should be sufficiently broad to include unexpected changes in the aim, for success and profitability. Let us next consider a business plan.

The Business Plan

A business plan charts the current and future components of the business. It must address the following questions: How far will the business have to go? What is the exact destination or goal? How will the goal be reached? How long will it take to reach the goal and various sub goals along the way?

A good plan helps in the following ways:

- Determines the viability of the business and application in selected markets.
- Provides guidance in planning and organizing the activities and objectives.
- Serves as a vehicle for obtaining finance and human resources for the business.

A business plan, in fact, is the backbone of a business. This document guides the entrepreneur at three critical junctures: (a) It simplifies decision making during terms of crisis, (b) It is the road map at points of indecision, and (c) it is a motivational guide during setbacks and down turns.

The business plan compels an entrepreneur to carefully examine the prospective nature at its initial planning stage before significant capital is invested. If the plan reveals flaws, which are difficult to overcome, the entrepreneur may need to abandon the opportunity.

To start a business an entrepreneur also needs to consider what resources shall be needed. Let us consider this aspect next.

4.4.5 Determine the Resources Needed

For a start up business that uses new technology or process for its service or its product, identifying what resources are needed, is crucial. The new venture must have the skills to match and triumph, over competition. Let us then consider the resources needed. These include:

- *Networking and Personal Contacts*: Resources are needed to identify, contact, and establish a network with appropriate clients and vendors. Who will meet people personally? Who will do the telephone work? Who will be in charge of e-mail correspondence? Time for networking may be a daily task, high on the priority list.

- *Financial Requirements*: Sufficient capital is required to sustain the company for a specific length of time, possibly a one or two year period. The entrepreneur has to carefully consider the financial elements required for implementing the plan:
  - How much capital is needed? What resources are needed for financial support?
  - How long can be the new business be self financed, if necessary, and still withstand initial losses?
  - How long will it take to make the business profitable?
  - What kind of profit margin will eventually result from the product or service?
  - How can the revenue and financial model be presented to investors for their involvement in business?
- *Technical Skills*: The entrepreneur may not possess the creative process and innovative technical skills necessary to implement the business idea. In such cases, he may need to hire skilled people. Training costs for such people need to be calculated into start up costs.

From our discussion above it is evident that resources are needed in terms of financial requirements, technical skills and personal and networking contacts. Having identified the resources, next, let us learn how to manage the business.

4.4.6 Managing the Business

Managing the business entails running the business, applying a specific management structure and style to any questions, difficulties and road blocks to successes that may arise. Substantial time, money, experience and energy have been invested in setting up the company. The entrepreneur has to break off from the beaten path and invest in people, operating procedures and information technology which:

a) *Deliver a total solution* – Small companies have traditionally assumed unchallenged territory and special distribution channel, for their products. Today however all companies play in the same markets and provide an entire range of services for their customers. Investors and customers are now looking for a total solution product or service.

b) *Cultivate advanced resources* – Highly skilled workers laid off from large companies create an important opportunity for start up companies. These trained personnel bring with them rich experience and business skills, much needed by a new venture.

The entrepreneur may also need to look at the cash flow forecast, revenues and disbursements. These issues are discussed next.

Cash Flow Forecast

A cash flow forecast shows the amount of cash coming in (receivables) and going out (payables) during a certain month. The forecast also shows what additional working capital, if any, the business may need. In addition, a cash flow forecast provides evidence that there will be sufficient cash on hand to make interest payments, on borrowings or to cover shortfalls when payables exceed receivables. You may recall studying about Ramu venture in Unit 2 and how he planned his budget and cash flow forecast.

Cash Flow Revenues

The first thing is to find a realistic basis for estimating sales each month. For a start up company it can be the average monthly sales of a similar sized competitor in a similar market. For existing companies, sales revenue for the same month in the previous year would be a good basis for forecasting sales in the same month in the following year. For example, if the industry trend indicates a growth of 5% in the succeeding year, it would be entirely acceptable to project each months sales 5% higher than the actual sales in the previous year.

Cash Flow Disbursements

The method adopted, is to project each of the various expense categories (shown in the ledger), beginning with a summary of the cash payments to wages, rent and equipment, cash etc. (accounts payable) for each month. Each month shows only the cash that is expected to be paid each month to suppliers. For example, if supplier invoices are paid in 30 days, the cash pay offs for January's purchases will be shown in February. If longer terms are obtained for trade credit, cash outlays will appear two or even three months after the stock purchase has been received and invoiced.

Reconcile Revenues and Expenses

This shows the balance carried forward from the previous month's operations. To this the net inflows and outflows or current months receipts and expenses will be added. This adjusted balance will be carried forward to the next month's entry to become the base, to which the next month's cash flow activity will be added or subtracted.

Cash flow forecasts must be constantly modified as new things are learned about the business and as venders, are paid. Small cash flow forecasts will be used regularly to compare each month's projected figures with each month's actual performance figures, it can from the basis for "*Variance Analysis*," which is an excellent indicator for the financial health of the enterprise. It may be signal for revising the various projections, accordingly. A specimen cash flow statement is show in Table 4.1.

Table 4.1: Specimen cash flow statement

(Rs. Lakhs)

		Months					
		1	2	3	4	5	6
A)	*Cash inflows* :						
1)	Cash sales (10% of total)	4.00	5.00	6.00	6.00	6.00	6.00
2)	Receivables collection	-	17.64	39.68	48.50	52.92	52.92
3)	Interest received	1.00	-	-	-	-	1.00
4)	Dividends received	-	-	2.00	-	-	2.00
5)	Sale of shares	-	-	-	-	-	160.00
	Total (A)	**5.00**	**22.64**	**47.68**	**54.50**	**58.93**	**221.92**
B)	*Cash outflows*						
1)	Purchases	1.00	1.50	2.00	2.00	2.00	1.00
2)	Labour	6.00	7.00	8.00	8.00	8.00	6.00
3)	Manufacturing overheads	13.00	13.50	14.00	14.00	14.00	13.00
4)	Administrative expenses	2.00	2.00	2.00	2.00	2.00	2.00
5)	Distribution charges	2.00	3.00	4.00	4.00	4.00	2.00
6)	Raw materials (30 days credit)	-	14.00	15.00	16.00	16.00	16.00
7)	Interest paid	0.40	-	-	-	-	-
8)	Dividends paid	2.00	-	-	2.00	-	-
9)	Installment of machine	-	-	-	-	-	20.00
10)	Repayment of loan	-	-	-	-	-	80.00
	Total (B)	**26.40**	**41.00**	**45.00**	**48.00**	**46.00**	**140.00**
C)	*Net Receipt or Payment*						
	(A) – (B)	(21.40)	(18.36)	2.68	6.50	12.92	81.92

Having reviewed Table 4.1, you would have got a good insight regarding the cash flow statement. Let us also recall what we have studied so far.

The salient business requirements to be considered with particular reference to the food industry include:

RECAP:

1) There are 3 basic issues that need to be addressed – (a) what is the entrepreneur's product? (b) How will the product be packaged and processed? (c) Who will be the ultimate consumer of the product or service?
2) Compliance with Government requirements
3) Labeling – relating to product identity and contents etc.
4) Marketing – should include the elements of the Marketing Mix, viz; product, price, place and promotion.
5) The customer – his profile, characteristics and buying behaviour.
6) Competition – Relative strengths & weaknesses of the competitors in relation to your own.
7) Developing the Business Plan – to assess viability of the business and its application in selected markets. This is the backbone of the business and helps in obtaining finances and human resources for the enterprise.
8) Identify Financial and Technical resources needed.

Next, answer the questions in check your progress exercise 2 and assess your understanding about the aspects covered so far.

Check Your Progress Exercise 2

1) What are the three basic questions an entrepreneur needs to consider, before launching a business?

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2) Give a brief description of the elements of the marketing mix.

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3) What are the three ways in which a business plan helps an entrepreneur?

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4) List the labeling requirement of a food product.

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....

....

In the discussion above we looked at the business requirement for food products. Next, let us review the various approaches to entrepreneurship development.

4.5 ENTREPRENEURSHIP DEVELOPMENT AND TRAINING

There are various approaches to entrepreneurship development, which policy makers, development planners, trainers and others involved in the development may choose from.

There are essentially four major pre-requisites for the creation of a climate for entrepreneurship. These are (a) An open and competitive social structure, (b) Development of an appropriate attitude and behaviour among individuals in society; (c) Provision and extension of adequate support programmes for the enterprise and the entrepreneur; and (d) The presence of a stable and good Government. It is a complex process that requires a great deal of logic and careful planning before being set into operation. But before an entrepreneurship development programme can become tangibly operational, it is imperative that a conceptual framework be developed first.

The basic questions that need to be addressed are: (i) who is an entrepreneur? (ii) Is entrepreneurship relevant to our culture and social system? (iii) Given the state of the national economy, are there sufficient opportunities to stimulate entrepreneurship? (iv) Does the system have enough infrastructures to support entrepreneurs? (v) Which should be developed first, infrastructure or entrepreneur?

Having considered the basic requisites, let us now get to know about the approaches to entrepreneurship development.

4.5.1 Approaches to Entrepreneurship Development

Entrepreneurship development in terms of method and coverage is the formulation of strategies or courses of action to be adopted in the promotion of entrepreneurship. Before an approach is selected, two major points of view for developing entrepreneurship should be considered:

a) Entrepreneurship is generated through the development of the human factor – the entrepreneur himself.

b) Entrepreneurship is stimulated through Government interventions, like policy measures for the creation of an environment where entrepreneurial activities can flourish and grow.

Development of the human factor is carried out in three dimensions. The first is the *cultivation of the attitude* or desire for achievement in the individual. The second is the *development of capabilities* to perceive future environmental changes. The third is to *acquire skills and abilities to solve problems*, which are likely to occur in the future. Once it is understood who an entrepreneur is and what his functions are in society, relative to his development, entrepreneurial activity can be identified, stimulated and nurtured. On the other hand, an understanding of the environment is useful in developing appropriate programme, necessary for the perpetuation of entrepreneurship.

Entrepreneurship in most developing countries is developed by way of four commonly used methods. These are explained in the subsequent sub-section(s).

4.5.2 The Selective Method

The selective method involves the identification and selection of individuals with latent aptitudes and appropriate attitudes towards entrepreneurial careers. Such persons are considered as desirable receivers or beneficiaries of entrepreneurship development programmes.

There are many organizations involved in entrepreneurship development, each offering its own specialized service to satisfy a special need of the entrepreneur. These organizations offer an integrated package of assistance from project conceptualization through to its implementation and operation. This approach presumably increases the chances of success of the development scheme.

4.5.3 The Shotgun Approach

The shotgun approach may be described as a multi directional approach, but is wanting in coordination and integration efforts. The result therefore can either be a hit or a miss. There may be an attempt to develop programmes, but there is a lack of operational machinery to carry them out effectively and thoroughly. An example is that of Hong Kong a few years ago with a "laissez faire" economy, where enterprise development was the owner's responsibility, and did not require government intervention. Although there were semi government and other organizations to help small and medium enterprises, their functions were not coordinated. This resulted in a duplication of efforts on the one hand, and unsatisfied needs of small enterprises on the other.

4.5.4 The Multiplier Method

The multiplier method involves intermediaries or catalysts of change – trainers, extension officers, consultants etc. These intermediaries propagate and promote entrepreneurship, through their respective functions, which in turn trigger off a chain of events leading to the development of entrepreneurship. The training of a trainer for instance, sets off a chain reaction. It develops the trainer's skills and personality and at the same time increases the productivity level of the enterprise he serves and the overall process of entrepreneurship development.

Quite obviously, not only the conceptual framework of entrepreneurship will influence the choice of approach, but also by the availability of resources such as funds and qualified human resources such as trainers, consultants etc.

4.5.5 Intervention as an Approach

Intervention as an approach involves introduction of concrete activities or specific interventions to develop and promote entrepreneurship. These activities could be one of the following: (a) Training (b) Consultancy, and (c) Sectoral Intervention. Let us review these activities in greater details.

A) ***Training***

The initial and most basic, requisite for developing entrepreneurs is awareness development. Through this intervention the target public develops a keener awareness of the business environment and an understanding that opportunities can be translated into income generating realities. Hence the individual's interest in setting up his own enterprises is stimulated. Entrepreneurial careers can take shape through awareness development, achievement motivation, management skill(s) development, attachment training and training of trainers. A good example of this approach is, entrepreneurship seminars and promotional talks conducted by a host of Government agencies, under the aegis of the Ministry of Small Scale Industries, Government of India. Entrepreneurship awareness among the general public is also propagated through mass media. The increasing sophistication and expanding mass media, makes it a very effective medium for this approach. Due to its basic nature, awareness development, supplements and lays the ground for other types of interventions for entrepreneurship development.

There are three important components of entrepreneurship training. These are highlighted next.

i) *Achievement Motivation*: According to *David McClelland* the need for achievement has a direct co-relation with entrepreneurial development and hence with economic development. Through achievement motivation as an intervention, entrepreneurs undergo training, which is designed to increase their levels of confidence and achievement orientation. The training aims at developing in the individual, proper psychological preparation and mental attitudes towards business endeavours. It is expected that this training would result in positive behaviours such as a quest for excellence, learning from feedback and moderate risk taking. Likewise it strengthens the ability of an individual to generate alternatives and to solve problems creatively. It also develops the ability to define and set goals in life and business. Therefore this kind of entrepreneurship development is viewed as behaviourally oriented. The success of this training intervention depends largely on the fact that it is experience based. It is generally believed that in entrepreneurship development training, learning by discovery is usually preferred. But in experiential training a person learns from his actions and behaviour. Thus the learning forces become a positive reinforcement. The overall objective of any type of achievement motivation training is to transform the entrepreneur into a new person.

ii) *Support Systems*: A very important component of entrepreneurship training is a module on information about support systems available to entrepreneurs. This normally includes topics on business plan preparation, developing project reports and proposals for obtaining credit from banks and other financial institutions. The trainees are exposed to procedures for approaching banks, financial institutions, technical consultancy organizations, industrial service organizations and other institutions providing technical, marketing and financial support. A linkage between the training institute and the support system agencies is normally established through the participation of these agencies in sponsoring and financing Entrepreneurship Development Programmes (EDP's). Hence, Credit, Service, and implementing Institutions form the core support group. *McClelland* suggested that increasing opportunity improves business performance regardless of motivational levels, provided the government can increase the probability of success from low to moderate by way of positive assistance.

The types and level of support required varies from entrepreneur to entrepreneur. Hence the types of inputs, their degree and training are customized to the needs of the entrepreneurs at various stages of their development, as illustrated in Figure 4.6.

In Figure 4.6, you would have noticed that there are four important stages in entrepreneurship development. These are (a) Selection and Training (b) Pre Investment (c) Operational, and (d) Post Launch evaluation. A wealth of valuable information on support systems, Government Schemes and Policies, is available from the Ministry of Small Industries, from their websites: www.laghu-udyog.com or www.smallindustryindia.com. Next, let us review the third component of entrepreneurship training.

iii) *Management Skills Development*: A common problem with most entrepreneurs is a lack of management skills to deal with management problems of the enterprise. This generally inhibits the success and growth of the enterprise. In many small businesses, the entrepreneur stands alone. He does not have the means to employ specialists in production, finance or marketing to run his business. He has to be his own specialist in all these fields. Since the owner manager of a small enterprise is engaged in all tasks of management, without the assistance of specialized staff, most of the management problems are inherent in small business. But, being small, need not be a deterrent to growth.

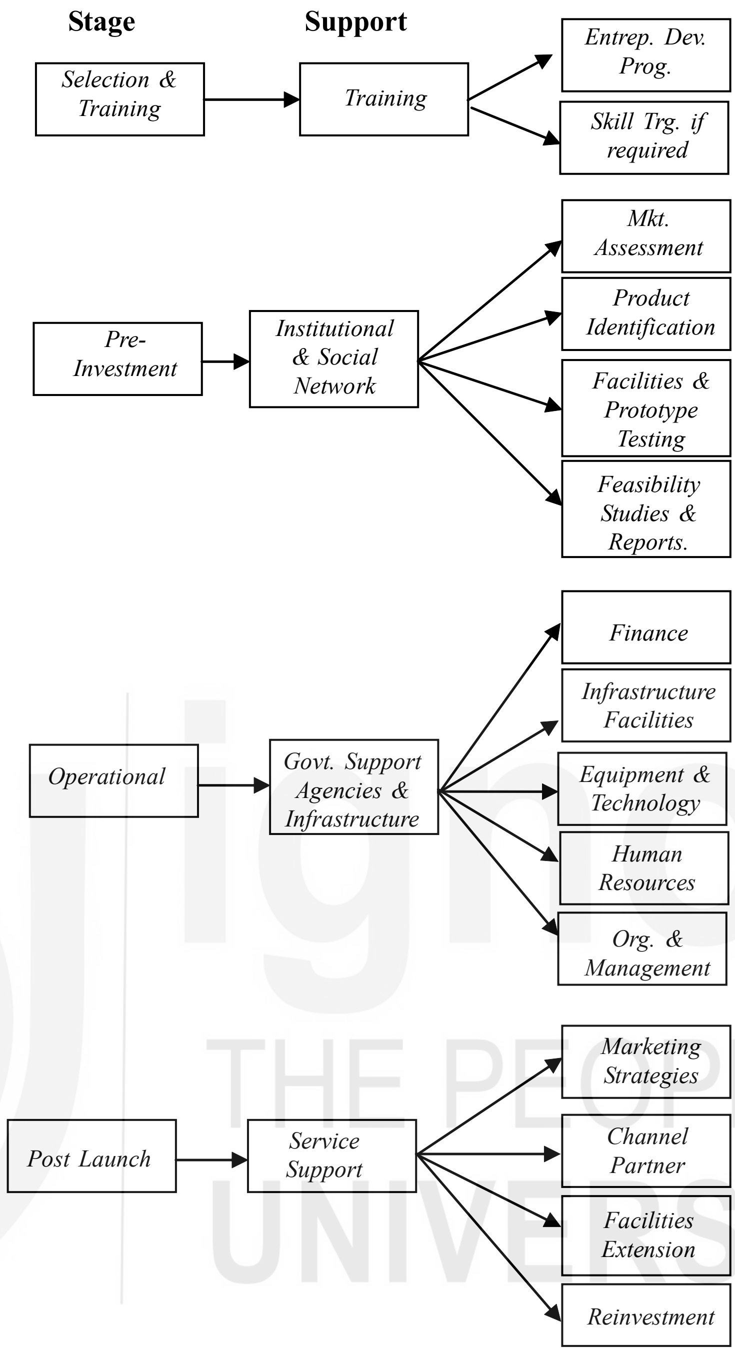
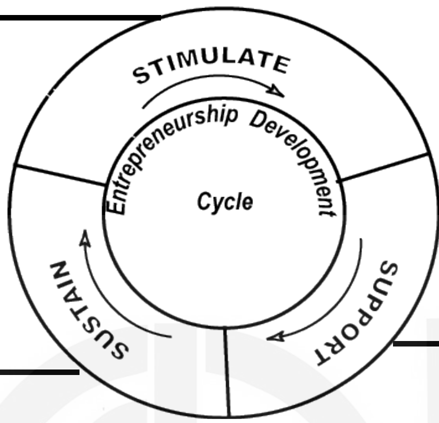


Figure 4.6: Support systems in entrepreneurship

One way to overcome stagnation and open the door to growth is learning management skills, which can be employed not only in day-to-day operation, but also in business expansion and diversification. While designing the curriculum for management training, the focus is always the trainee. Most institutes involved in training entrepreneurs in management, bear in mind, that inputs and methodology must cater to the unique personality of the entrepreneur, who is generally, an out of school, mature individual. Hence the emphasis of such training is pragmatic discussion of concepts, group work with minimum guidance from the trainer and business games.

In some Asian countries, there are support organizations, which arrange for on-the-job, or attachment training in small units, where the entrepreneurs gets practical know how and guidance on how to operate and manage an enterprise. The three components of training mentioned above can be depicted as a 3S Model of Entrepreneurship Development, shown in Figure 4.7, where the three S's stand for *stimulate, support* and *sustain*.

a) Entrepreneurial education
b) Planned publicity for entrepreneurial opportunities
c) Identification of potential entrepreneurs through scientific method
d) Motivational training to new entrepreneurs
e) Help and guidance in selecting products and preparing project reports
f) Making available techno-economic information and products profits
g) Evolving locally suitable new products and processes
h) Availability of local agencies with trained personnel for entrepreneurial counseling and promotions
i) Creating entrepreneurial forum



1) Registration of unit
2) Arranging finance
3) Providing land, shed, power, water etc.
4) Guidance for selecting & obtaining machinery
5) Supply of scarce raw materials
6) Getting licences/import licences
7) Providing common facilities
8) Granting tax relief or other subsidy
9) Offering management consultancy
10) Help marketing product
11) Providing information

1) Help modernization
2) Help diversification/expansion/substitute production
3) Additional financing for full capacity utilization
4) Deferring repayment/interest
5) Diagnostic industrial extension/consultancy source
6) Production units legislation/policy change
7) Product reservation/creating new avenues for marketing
8) Quality testing and improving services
9) Need based common facilities center

Figure 4.7: Entrepreneur development cycle

Thus we have seen that intervention as an approach involves introduction of concrete activities to develop and promote entrepreneurship. These activities could be (a) Training (b) Consultancy, and (c) Sectoral Intervention. We have reviewed the training component in the last section. Next, let us study about consultancy.

B) ***Consultancy***

There are other interventions, which will supplement for a more complete and fuller development of entrepreneurship development. Small entrepreneurs not only require training but also need consultancy and extension services as well. What do we mean by consultancy?

Consultancy as defined by *M.Kubr as* "*the service provided by an independent and qualified person or persons (an organization) in identifying and investigating problems concerned with strategy, organizational procedures, and methods recommending appropriate actions and helping to implement these recommendations*."

Consultancy begins when an entrepreneur, seeks the advice of a consulting organization or when field consultants visit a small firm and makes contact with the owner-manager. After the initial rapport is established the consultant studies the operation of the firm, analyses the strengths and weaknesses and suggests measures to improve its operations. In particular, the need for consultancy in developing countries is acutely felt by small businesses, which cannot afford to hire the services of specialized staff to perform various management functions.

The last component of intervention as an approach to entrepreunership development includes sectoral intervention. Let us get to know about this next.

C) ***Sectoral Intervention***

As a vehicle for developing entrepreneurship, sectoral intervention, singles out a particular sector or industry for development. On the basis of its potential and contribution to the economy, an industry is identified and is then provided with all kinds of assistance it needs: finance, training, marketing and technology.

An important part of sectoral development however, is the setting up of industry desks manned by consultants. These desks serve as media or channels to facilitate the disseminations of technical and process information required by entrepreneurs in the selected growth industry. The technical information made available to entrepreneurs, generally includes: state-of-the art reviews, market shows, feasibility studies, case studies, laws and regulations, patent information and others. The adoption of this sectoral intervention improves the delivery system for entrepreneurship development and at the same time increases the number of recipients of the services.

The food processing industry sector in India is one of the largest in terms of production consumption, export and growth prospects. Through a number of fiscal reliefs and incentives to encourage commercialization, the Government through the Ministry of Food Processing Industries (MOFPI), has accorded this sector a very high priority. As a result of several policy Initiatives undertaken by the Government since 1991, the industry has witnessed fast growth in most segments. As per the latest data available, the Indian gourmet food market is estimated at US$ 1.3 billion during the financial year, 2017 (April 2016) and is growing at a compound annual growth rate (CAGR) of 20%. India's organic food market is expected to increase by three times by 2020. (Source: APEDA Export Statistics and Annual Report 2017-18, MOFPI). Details relating to schemes, policies and sectoral incentives offered by the Government of India can be obtained directly from the Ministry of Food Processing Industries, Panchsheel Bhawan, August Kranti Marg, New Delhi – 110049, or by logging on to their website: www.mofpi.nic.in

With sectoral intervention we end out study of the approaches to entrepreunership development. Let us recapitulate what we learnt in this section.

RECAP:

1) These significant approaches to entrepreneurship development are (a) selective method (b) shotgun method, and (c) multiplier method.

2) Intervention as an approach will include Training, Consultancy and Sectoral Intervention (Govt. Schemes and Incentives)

3) Four important stages in Entrepreneurship development are (a) Selection and Training (b) Pre Investment (c) Operational, and (d) Post Launch evaluation.

4) Training as an intervention follows the 3S model – Stimulate, Support, Sustain.

Let us further take up an exercise to check our knowledge up till now. Answer the questions given in check your progress exercise 3.

Check Your Progress Exercise 3

1) Briefly enumerate the three basic approaches to entrepreneurship development?

....

....

2) Explain the following in 3-4 lines

a) Consultancy

....

....

b) Management skills development

....

....

c) Achievement motivation as an intervention

....

We shall end our study on entrepreneurship development by reviewing few entrepreneurial case studies given at the end of the unit.

But next, let us review another interesting aspect i.e. merchandising skills required specially for entreprenurs.

4.6 MERCHANDISING SKILLS SPECIALLY FOR ENTREPRENEURS

In this section, we will focus on the merchandising skills especially for entrepreneurs in the catering venture. Before we begin, let us first understand what we mean by the term merchandising. *Merchandising* refers to the promotion of merchandise sales, as by coordinating production and marketing and developing advertising, display, and sales strategies. In this section we shall review these aspects, skills required for merchandising. Let us begin with the first skill which deals with know your client.

4.6.1 Know Your Client

Selling services is much more difficult than selling a tangible item. Catering services are especially tough because its such a significant monetary output for the buyer and because it is often a significant event in the buyer's life, something that can never be rectified if it is not perfect. The possibility of a bad choice in a once-in-a-lifetime event, like a wedding causes enormous stress. Even if it is a small bunch of 15 guests, a poorly chosen caterer can turn the event into a disaster or, at the least, an acute embarrassment to both guests and host.

In other services, like shoe repair, the biggest consequence is annoyance for poor service and the fault is usually easy to remedy. At stake is a relatively small amount of money. For catering even the smallest event, hundreds of rupees are on the line, and for larger events thousands are at stake. To add to the pressure, the merchandise is not returnable for exchange.

Whether you decide to do your own selling or hire a part-time sales representative, the average scenario for a typical sales transaction in catering is the same:

a) At your first contact with the potential buyer, you determine qualifications (a quick personal assessment of the person and a few questions will tell you if you are in the same category)

b) At the first or a subsequent meeting early on, you discuss the proposed event in detail, the type of menu, service, and available dates.

c) There is often further discussion with the client, kitchen manager, or you about specific menu selection, service required, and the particulars.

d) At this point, you prepare a written proposal for the client. (You may have to adjust this proposal after the client's initial approval.)

e) The client confirms the event and hands you the deposit.

You or your salesperson should determine a number of selling points for your specific business. Chances are, you have a niche, some kind of unusual or even unique angle which makes your business different. You may have a number of unique "signature" food or beverage items, or perhaps an outstanding way of presenting food, or you may be known for serving the healthiest food in town, or using the freshest ingredient. Any of these can be a selling point to help convince the buyer that you will be the best caterer for his or her event. Stress that their guests will be impressed by having you as a caterer because no one else in town can do it, as well as, you can. Any host or hostess, business or social, will want to impress the guests. After all, that is one reason to hire a caterer.

Now then how do you go about this activity? Here are a few measures identified.

1) ***Create a Photo Portfolio to show Client***

Assemble an impressive collection of your photographs in a neat, professional looking portfolio. Large high-end caterers tend to produce the glossy, four colour, brochures and professionally produced commercial photos of their events. Smaller caterers want to give a less expensive look, something that does not scare prospective clients away by giving a "too expensive" look to your business. But the other extreme, printing menus very inexpensively on cheap paper and with an unimpressive layout, is equally unacceptable. Your client may think your food matches the quality and care you put into producing the brochure. It is best to aim somewhere in between. Your decision should be based on type of catering you want to develop, the type of client you want to please, and current trends at the time you open your business.

Recently, marketing experts have favoured good quality snapshots for caterers as the best selling tools. The photos should show your staff in uniform to work, some of your food displays, and quests munching away. The better dressed the guests, the more suitable the photo. Limit the number of photos in your portfolio so anyone can page through within half a minute. Letters of recommendation are also good additions, as well as, anything else you feel you should include. Don't crowd it and don't make it overwhelming. The photos could be of different sizes, neatly mounted, with or without labels, with your own personal touch. The clients should feel that the portfolio was not produced by a commercial enterprise. It is a simple collection of snapshots of your typical events.

It is best to produce two or more copies of your portfolio – one for your office, and one for each salesperson. You may not need more than one copy, but a spare may come in handy from time to time.

2) ***Business Cards and Menus***

There are two other essential items : business cards and catering menus. The choices in each are very personal and it is not easy to give suggestions on styles and how much you want to spend on them. For caterers they range from simple to lavish. Naturally, the more high-end your business is the more elaborate your printed material becomes. In times of economic hardship, clients may not be impressed by three-coloured glossy menus: they suggest high-cost catering.

Recent trends favour simple yet tasteful business cards and menus. The best approach is to collect your competitor's business cards and menus and see what they produce. Have a friend call around if you don't want your name be known to the competition and ask for all information from them. That may help you decide what sort of literature you want for your business. Besides business cards and menus, you need some general information that very briefly tells the prospective client what sort of food and services can be expected from your catering company. The help of a marketing expert would be useful in this task.

3) ***Choose Your Clients Well***

One has to be cautions about one pitfall many beginning entrepreneurs won't escape – taking all the business that comes your way. Be discriminating, even if things are extremely slow. There is nothing less rewarding that working with an impossible client. Start qualifying your clients immediately. At first, many client can be tense and too demanding, knowing more about cooking, food, and catering than you do. But slowly they ease up when they see that they can trust you and that you are sincere. Some, however, will never soften up. They still keep telling you how to do your business, that your prices are unreasonable, and insist on your providing such and such a menu in spite of your explanation that fresh sautéed fillet of catfish is not only impractical for 95 guests, but virtually impossible. Do not waste your time with these types of clients. It may be best to refer then to your competitor.

Other potential clients you don't want to spend a lot of your time on are the ones without sufficient funds to pay for your services. Try to qualify these right away, even though it can be tricky. If you are a good salesperson, you can do it in no time. As soon as the budget looks questionable, send them politely on their way to a budget caterer. If you are already a budget caterer, send them to the supermarket.

As you work more and more with potential clients, you will develop your gut feelings about which clients you want and which ones you don't. Be suspicious when a client drastically changes a previously agreed upon arrangement, or when the promised deposits are not sent to you in spite of several phone calls or letters, or when the client appears to be unhappy with you. These are the occasions when it is best not to accept the event and even refund the deposit.

If you already have a heavy commitment during the time of the proposed event, refuse, no matter how good a client it is. Don't ever over commit yourself and your staff, no matter how lucrative it appears.

Even though catering is difficult to sell, one powerful advantage you have over other business, as well as, a good tool, is the food you can offer to visiting potential clients. If you are visiting the client, take a little plateful of samples. It is a very convincing selling argument.

Of course, there are numerous sales gimmicks, techniques that apply to any business and those which apply to catering only. This is an area where you or your salesperson can benefit from books or seminars on selling techniques.

Having looked at the measures which when adopted can help us know our client and introduce our service to them, next, let us review other merchandising skills.

4.6.2 Responding to Requests

Most of your first contacts with a potential buyer will probably be telephone requests for information. If you have a display ad in the Yellow Pages, you will get many calls. Most of the callers from this source are price shoppers who call every business with a display ad. Some of them are blunt enough to say that all they want to know is how much a meal costs. These calls are generally a complete waste of time and money for a caterer, who won't ever bother to send out the requested literature to the callers. Of course, before you disregard such a buyer, you are going to question him or her a little further. You can quickly get enough information to decide what to do with the call.

If you have a salesperson, pass the information on and delegate him or her to take care of it. If you are your own salesperson, send out a menu, which may be fixed or a sample, either with a cover letter addressed personally to the buyer, or a prepared information sheet about your business as illustrated in Figure 4.8.

SAMPLE # 1 : COVER LETTERS

August 3, 20- -
Ms. Rita Vaid
Food Distributing Company
100 Janpath Street
New Delhi

Dear Ms. Vaid

Thank you very much for your interest in Mittal Catering's services. We are proud of our reputation for quality food and service since 1994 and our prices make us indisputably the area's finest catering value! As Sameena from the Barrister Club put it:

"The participants were quite complimentary and you and your staff prepared great food and handled the occasion in a very professional manner."

In catering you get what you pay for. At Mittal Catering our prices insure many things such as fresh, high-quality foods, sanitary preparation, on-time delivery, generous portions, and many small extras. And Mittal Catering is the only caterer in town approved by the Great Plains Heart Institute's Dine Right programme.

Our client includes both large and small corporations with one thing in common: demand for fine food and good service.

Please call us at 555-7777.

Sincerely,

Ajay Agarwal, Manager
Mittal Catering Company
35 Qutub, Road
New Delhi

SAMPLE #2: CONTINUED

August 3, 20- - -
Mr. Prabhu Dayal
100 Welfare Park
New Delhi

Dear Mr. Prabhu

Thank you very much for your interest in Mittal Catering's services. We are proud of our reputation for quality food and service since 1994 and our prices make us indisputably the area's finest catering value! Mr. and Mrs. Khanna put it best when they wrote us after their daughters wedding:

"Thank you and your crew for a job well done. You made our day very special indeed."

Our very talented chefs have a wide range of creativity and skills. The food we prepare represents many years of recipe testing. We are quite conscious of the current need for lower cholesterol, fats, less sugar, and salt. That's why we are proud that we are the only caterer in town approved by the Great Plains Heart Institute's Eat Right programme.

In catering you get what you pay for. At Mittal Catering our prices insure many things such as fresh, high-quality foods, sanitary preparation, on-time delivery, generous portions, and many small extras. We are aware of the current recession worries and if your catering budget is not what you could like to have, we can suggest more economical ways without cutting corners in quality.

I will do everything I can to make sure you are absolutely satisfied with our services. Call us at 555-7777.

Sincerely,

Ajay Agarwal, Manager

Figure 4.8: Sample cover letter

Certainly a personal letter gives a far better impression. It should explain everything about the company, the type of business you do, the kind of food you serve, the serving staff, and whatever else may help to convince the buyer to become a client. It is best to have at lest two standard letters, one for corporate, and one for social clients, since each type of buyer may be convinced by a somewhat different approach. Right now, testimonials are in vogue in selling and marketing, so you may want to include the kind and complimentary words of a client who wrote a letter of appreciation to you.

Cover letters are very individual and it is advised strongly that you make up your own. However, the examples shown in Figure 4.8. Sample #1 may help you start the process of writing yours. Selling and marketing trends to change with time, so stay alert and change your letters when necessary. Your receive a lot of unsolicited mail, like everyone else, and this is a good indicator of the latest promotional approaches.

Form letters on your computer don't have to be sent out unaltered. In fact, it is a good idea to include something in them that refers specifically to your telephone conversation with the buyer. That way the letter does not look quite so cold and impersonal, even though everyone knows that it is reproduced by the touch of a few buttons.

How should you handle price requests? Most experienced salespeople say you never, ever give out prices on the telephone. Anyone who is calling for prices is simply a price comparison shopper. You don't want their business unless your focus is on large, low-budget catering. These callers have a little potential in using your services. You can answer a request for prices by offering to spend a complimentary half hour with the buyer in your office to discuss the upcoming event. Explain that once you gather ore information, you will be glad to give him or her a proposal or a price. Tell the caller that you feel the telephone is not a satisfactory medium for discussing the event. If the buyer is willing to meet with you, it is worth a half hour of your time to purse the matter further.

Next, let us get to know how to market the business

4.6.3 Marketing Your Business

There are many marketing ideas in catering. These are enumerated in this sub-section.

1) ***Identify Your Market***

Marketing runs parallel to selling, and both are essential to continued success. If you are fortunate, your salesperson is good at both selling and marketing. But some salespeople don't like to market and some marketers are not much interested in selling.

Many, but by no means all, standard marketing techniques apply to catering. Some unique marketing approaches are needed to increase the chance for success in selling your services. For example, it is generally agreed by most caterers and their sales/ marketing personnel that media advertising is of little value except when targeting very specific markets. To verify this, scan your local newspapers or magazines. Rarely, if ever, do you see a caterer advertising in these publications. The only exception is a restaurant or deli (a shop selling delicatessen as salads or cooked meats etc.) whose sideline business is catering. Banquet halls and hotels often advertise their facilities with a word about their superb catering. Pure off-premise caterers put their marketing dollars into more productive aeras.

There are innumerable marketing ideas in catering. Some ideas apply only to specific kinds of catering. Clients who want catering fall into these five areas:

a) Corporate
b) Social

c) Contract

d) Wholesale

e) Budget

Focus your marketing money on the particular area(s) you want to target. No matter what type of catering you do, you will likely market to more than one of these basic categories. Most caterers will do both social and corporate catering. A few will do contract only and a few will focus on budget only. Both contract and budget catering are usually done by very large caterers whose food is produced in mass. An example of *contract catering* is food service for an industrial cafeteria, where the contract is of several years' duration. In *budget catering,* food is prepared at the lowest possible cost, packaged inexpensively, and distributed. Large volume is necessary to realize profits since the profit margin is small. Making hundreds or thousands of sandwiches for the lunch trade is an example. It can be profitable, perhaps even very profitable. There are a number of books which specifically address this segment of the food industry.

As a small caterer, you can market to the corporate, social and wholesale segments. Corporate and social catering are the best mix. It is a good idea to some wholesale catering (i.e., sell to a retailer). This business, though not very profitable, is steady and fills in the voids between events. However, it does sometimes interfere with more profitable business if you over commit on wholesale catering. Keep it to a reasonable level or at least have a fair degree of flexibility with the client on delivery schedules and amounts you supply.

In addition to these major marketing areas, there are certain catering niches that are suitable for a small caterer. Any of these niches can be targeted for your business, but don't attempt to target too many of them. Each needs a specific body of expertise.

2) ***Be Sensitive to Your Client's Needs***

When marketing your business, you should keep in mind why your clients buy catering services from you. Let's look at the two major types of clients. Corporate clients buy mainly out of necessity and for convenience. Food is needed for a working luncheon, for instance. If the budget is really tight, they send out a secretary for deli trays, bread, packaged cookies, chips and cold drinks. Unless you can compete with supermarket prices, you don't want to target this type of business. Some companies call in caterers to impress clients – for open houses, grand openings, ground breaking ceremonies, and other festive occasions when the budget is generous enough to provide high quality catering.

Finally, corporations use catering services to reward their employees. This is usually only once a year, during the holiday season. Some also provide company picnics in the summer. These tend to be fairly traditional events and the budget varies a great deal, depending on how the company is doing in its profits and how generous the boss feels toward his or her employees. Picnics are relatively low-priced, very causal affairs where standard picnic fare is expected. When caterers are called in for this service, it is for convenience and to save time and work, not for prestige. Holiday season events are much more festive and caterers are relied on because a festive meal is not easy to prepare.

Social catering clients have a variety of needs, too. Caterers save time and work and guests are impressed with the presence of uniformed servers, perhaps a chef in the kitchen, and the presentation and quality of the food. Many of the clients who demand elaborate and lavish cuisine want to compete with their friends and relatives, to show who can afford to provide this luxury and who can afford a more elegant service. This is especially true for celebration parties and weddings. But some social clients are only looking for convenience and necessary in hiring a caterer.

Your targeted clients' needs should be the focal point of your marketing strategy. Your marketing person or you should spell out and emphasize that these are among the needs that your company will satisfy when you are hired to do a client's event.

3) ***Letters of Recommendation and Testimonials***

If you provide excellent service and exceptional food, you will occasionally receive unsolicited letters of recommendation. These are wonderful to have, both for your ego and for promoting your business. Occasionally, you can mention to an especially pleased client that letters of recommendation are very welcome. It provides you with excellent fuel for your marketing efforts. Use quotes from these letters as testimonials.

Advertising testimonials are in vogue. You see them in newspaper and magazine ads, on billboards, and television commercials. Marketing personnel say that testimonials sell products. Notice that the name of the person being quoted is always mentioned. Use this marketing tool to promote your catering service. You may or may not need to ask for permission to quote from a letter in your promotional material. Use your best judgment in each particular situation, but err on the side of caution. These letters should definitely be a part of your sales portfolio.

Next, let us review the pros and cons of advertising.

4.6.4 Pros and Cons of Yellow Pages Advertising

What about advertising in the Yellow Pages? This is a controversial issue among caterers. Opinions differ and that shows you that this type of advertising is not a sure success for developing new business. You cannot imagine a locksmith, a plumber, or a restaurant without a prominent Yellow Pages ad. When someone is looking for a locksmith or a plumber, chances are the first place he or she will look is in the Yellow Pages. Not so for caterers. Someone interested in purchasing catering services tries to remember a catered event he or she attended or the name of someone who deals with caterers who can recommend one. The Yellow Pages are a last resort.

People shopping for prices will go to the Yellow Pages and call up every caterer listed for the type of event they have in mind. Those are nuisance calls for all the caterers who don't get the job, a waste of time and money to send the menu off to the caller. Many callers will use up more than five minutes of your time on the phone. They want a free consultation, with numerous questions about how you would do the event, what is included, and the cost of each part. You have to decide how much time you can take educating the general public in the proper use of a caterer. Because of the numerous shopping-for-price calls, many caterers choose to be listed inconspicuously in the Yellow Pages.

However, some sales and marketing people claim they can get business out of Yellow Page callers. If you employ one of these people, maybe you should run a larger ad. But remember, a smallish display ad in the Yellow Pages will cost you at least a sum of money which translates into a huge amount to annually. Can you get that much business out of the Yellow Pages, just to break even? Or can you find a better marketing tool in which to invest, one that gives you a better return? This is your decision.

Since you must have a business telephone, you will get a listing in the Yellow Pages with the price of the phone. The general feeling among caterers is that the more high-end they are, the smaller the Yellow Pages ad should be. A caterer's reputation travels best by word-of-mouth. As well, very few of the callers who saw the ad will have a budget or interest in high-end catering.

Low-end and medium-quality caterers will benefit more from the large display ads. They need volume. They are also the type of caterer most callers are looking for. This is my opinion. Check other sources to help you determine what is most appropriate for your business.

Client feedback you would realize is the best advertisement for the venture. Let us read the next sub-section and find out more on this aspect.

4) ***Client Feedback***

A good idea to help you get feedback from your clients is an annual survey. It is a strategy many businesses use, no matter how large or small. It is especially good when you really don't know why your business takes a sudden downturn. You'll find out if clients don't like your product, or if your prices are too high, or if the competition is cutting your market share. You may find it is simply that the economy has turned to vinegar and the first things your clients cut from their budgets are non-essentials like catering.

The cost of a survey is relatively low. Make up an intelligent questionnaire and send it to a small number of your clients along with a self-addressed, stamped return envelope. Expect a return rate of 15% to 20% from the survey. The number you send out could be a dozen or hundreds, depending on your client base. The answers are very useful in finding the problem, especially if you allow clients to return them anonymously. If the results point to your service or product, correct the problem quickly.

Surveys must be brief. Most clients will not take them as intrusions; on the contrary, they feel that you care about their needs and requirements, that you want to serve them better. To add emphasis to this concept, you may want to start with the phrase, "in our continuing effort to serve you better…."

Finally, a word about competition.

Figure 4.9 illustrates the sample of a cover letter that accompanies the questionnaire and Figure 4.10 shows a client questionnaire.

SAMPLE #3 : COVER LETTER FOR CLIENT QUESTIONNAIRE

Dear Client :

In reviewing our accounts, we noticed that we have not received an order from your company for some time. We hate to lose a good client.

We feel it's important to keep informed of our customers' responses to our food and service so we can continue to serve them well. It is particularly important that we learn who old clients no longer order from us.

Won't you please help us by completing the following questionnaire and returning it to us in the enclosed stamped envelope? It will only take a minute and your answers are invaluable to us.

Thank you and we hope you'll be placing an order with us soon.

Sincerely,

Ajay Agarwal, Owner.

Figure 4.9: Cover letter for client questionnaire

SAMPLE #4 : CLIENT QUESTIONNAIRE

DOUGH CATERING

Questionnaire

Why did you stop ordering from us? (Check all that apply).

- ☐ Dissatisfied with quality of product
- ☐ Prices are too high
- ☐ Dissatisfied with service
- ☐ No longer using catering services
- ☐ Other (Please explain) ________________________________

____

____

____

What will it take to get your business back?

____

____

____

____

____

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____

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Figure 4.10: Client questionnaire

Finally a word about competition.

4.6.6 Competition

Caterers are as thick as flies in most communities, particularly larger cities. There is plenty of competition. Catering is a business that a lot of people think they want to get into. Then they discover how tough it is.

Your competition is going to be intense. If you have your niche, then you eliminate a great number of those listed in the Yellow Pages who don't have that same niche. But your competitors will still number in the dozens. To learn more about your competition, look at their brochures and menus. Pretend you are a client and have an event coming up and ask for their literature, even a price list or proposal, if that is the only way you can get it. Having that information for comparison is invaluable. Or offer to give your clients a small added service in exchange for proposals they garnered from your competitors.

Friendly cooperation among caterers is very desirable but difficult to achieve. It is particularly ideal when two or three caterers complement each other's services; for example, one can only do smaller events, the other is set up for larger ones. These two caterers can refer business to each other without hurting their own, and at the same time solve a caller's problem, which is the goal if you're tuned into marketing techniques.

Call up the owners of a few catering companies and suggest a mutual visit to each other's facilities with a friendly coffee and chat. Something like this can be beneficial to everyone, not only for referral business, but also for shared equipment, expertise on a specialized subjects (e.g. How do you make black pasta), exchanged operational information (e.g., Where do you get your specially produce in town?), and kitchen, bar tending, or serving help in an emergency.

Friendly cooperation may not be possible, but try it. You may find one or two caterers in your neighbourhood who agree that cooperation can be mutually beneficial. Most, of course, will consider you a competitor and refuse to talk.

Any catering association in town may be worthwhile to join if the meetings provide you with useful information. It is a good way to meet other caterers, get a feel for what is going on in catering in the area, and monitor trends and problems in the field. However, catering associations are generally geared to help and serve the large caterers – those in huge hotel chains, institutions, banquet halls, and caterers running a large-volume business. Most caterers will learn little, if anything, from their meetings and large caterers tend to disregard you anyway.

With this we end our study on merchandising skills. We hope as an entrepreneur you would try to imbibe these skills which would help to promote your venture.

4.7 LET US SUM UP

This unit focused on the conceptual perspective of entrepreneurship, the characteristics, approaches and the process of entrepreneurship development. We learnt that entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume risks in terms of equity, time, and/or career commitment of providing value for some product or service. Thus entrepreneurs bring resources together in unusual combinations to generate profits. Psychologists view entrepreneurs in behavioural terms as achievement oriented individuals, driven to seek challenges and new accomplishments. Very often the terms "Creativity" and "Innovation" are used in the context of entrepreneurship. In this unit we learnt about the creative and innovative process. Further the business requirement for food products was elaborated with good insight to how to manage the business. Finally the various approaches to entrepreneurship development were discussed, namely the selective method, the shotgun method, the multiplier method and intervention as an approach.

4.8 GLOSSARY

Entrepreneurship	:	the dynamic process of creating incremental wealth.
Creativity	:	the ability to bring something new into existence. It emphasizes ability, not activity.
Innovation	:	it is the process of doing new things. The focus, here is on action or activity.
Incubation	:	allowing an idea to develop in the subconscious mind, without the interference of human logic.
Labeling	:	printed information on a product container which includes; contents, quality, ingredients, date & place of manufacture, validity etc.
Marketing	:	the process of identifying and satisfying the needs and wants of chosen customers through an exchange of value.
Cash Flow	:	indicates the amount of cash coming in (receivables) and the amount going out (payables).

4.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress Exercise 1

1) While an entrepreneur has a large number of identifiable characteristics, some of the significant characteristics of a successful entrepreneur are: Self confident and optimistic, able to take calculated risk, respond positively to challenges, flexible and able to adapt, knowledge of markets, able to get along with others.

2) Some sources of new product ideas are : (a) Present work environment, (b) Vision of opportunity (c) Improving existing technology, product, service (d) Brain storming (e) Trade publications (f) Focus groups (g) Technology transfer agencies.

3) Idea generation is the seeding stage of a new idea. An individual's interest or curiosity about a specific problem or area of study can lead to idea generation. Ideas for new market offerings can come from any of the following sources: (a) Present work environment, (b) Vision of opportunity (c) Improving existing technology, product, service (d) Brain storming (e) Trade publications (f) Focus groups (g) Technology transfer agencies.

Check Your Progress Exercise 2

1) The three basic questions an entrepreneur needs to consider include:

   WHAT is the entrepreneur's product ?

   HOW will this product be processed and packaged ?

   WHO will be the ultimate consumer of the product/service ?

2) The Elements of the Marketing Mix are the 4P's i.e.:

   Product – What is being sold and how it is packaged.

   Price – How much is the product being sold for ?

   Place – How will the product reach the end user. This process is commonly known as distribution.

   Promotion – Also known as Marketing communication. How will the customers get to know about the product and make them want to buy it.

3) A business plan is the backbone of a business. This document guides the entrepreneur at three critical junctures: (a) It simplifies decision making during terms of crisis, (b) It is the road map at points of indecision and (c) it is a motivational guide during setbacks and down turns.

4) All food labels must have the following mandatory information: product identity, net quantity, ingredients, manufacturing details and universal product code. It can have other neccessary information too.

Check Your Progress Exercise 3

1) The approaches to entrepreneurship development include the selective method, the shotgun approach and the multiplier method. Refer to sub-section 4.5.2 and give the details related to these approaches on your own.

2) a) Consultancy is the service provided by an independent and qualified person or persons (an organization) in identifying and investigating problems concerned with strategy, organizational procedures, and methods recommending appropriate actions and helping to implement these recommendations.

   b) Management skill development refers to management skills to deal with management problems of the enterprise.

   c) Within achievement motivation as an intervention, entrepreneurs undergo training which is designed to increase their levels of confidence and achievement orientation. The training aims at developing in the individual, proper psychological preparation and mental attitudes towards business endeavours.

CASE STUDY I: FOOD BUSINESS ON A LOW INVESTMENT

While a sizeable number of food ventures require a reasonably high investment in real estate, equipment and establishment costs, it is not uncommon to come across such businesses which require low start up capital, as this case will show.

Mr. Rajesh Ratra had a small restaurant, before he started catering that was frequented by bachelors. They liked his food and asked him if he could pack and deliver lunches for them. The idea appealed to him and he agreed. The food that he packed was liked by their colleagues in office and within days the office asked him if he could cater for the entire organization.

Initially he started with an investment of Rs.3,000–4,000, out of which a large part was spent on tiffin boxes and raw material. But with big orders coming his way within days of starting his catering service he had to increase his investment substantially. He bought over 150 tiffin boxes, bigger cooking utensils and larger burners that cost him around Rs.30,000–40,000. But the investment was a safe bet as the orders were small. Luckily for him his initial clients were in multistoried buildings and each day resulted in new queries about his food, many of which translated into orders.

The advantage about catering business is that while marketing, almost all offices that the supplier visits, at least sample the food and if the quality and taste are better than those of the existing caterers, the chances of getting the order are high. But on the flip side, other caterers will dent your profit margins too. So maintenance of extremely high quality food, good service and continuous improvement is a prerequisite in this profession. Though the number of orders keep varying from week to week and month to month, the profit margins are by and large good. The higher the number of orders the higher the margins of profit. On an average though a lunch box costs anywhere from Rs.35 to Rs.55/- depending on the order the profit margins are anywhere between 40 to 60% depending on the number of orders and the entrepreneur's business acumen. Established caterers also get credit facility from retailers. Further, most often the payments vary from cash to month long credit facility as the case may be. Though marketing in catering may not be very difficult, handling quality through labour may be a tough job. So it is advisable to get some training in food and catering services if one is not natural at cooking.

According to Rajesh Ratra, one important aspect of catering is hard work for you have to buy fresh vegetable early in the morning. Your labour too starts work before sun rise so as to be able to cater lunch in time. Early to rise may not necessarily mean early to bed as marketing of your products can not be put on the back burners either. So all in all it demands 100% from you but promises good returns if you are sincere and earnest to the call of catering.

Now here are a few questions for you to ponder upon.

Questions:

1) What is the secret of Mr. Rajesh Ratra's success ?

2) What form of promotion is employed by Mr. Ratra in his business ?

Answer these questions as this will help you conceptuliaze the case study better.

Now move on to the next case study.

CASE STUDY II: HOME BASED CATERING

Mrs. Vijaylaxmi was a working woman till her son was born. Torn between a full time job and a baby to care for, she chose the latter over the former. But with the passage of time she found more time on her hands and started looking for fresh avenues. Known for her cooking, family and friends encouraged her to take up catering. Drawn towards children from the very beginning, her first thought as an entrepreneur was to contact schools to supply midday meals for them.

Vijaylaxmi knew that catering for children gave her no scope for a slip up and the quality of her food had to be perfect each time. A daily change in the menu and precision of time were other prerequisites. So she made a 15 day menu and served a wide range of lunches from puri aloo to paushtik dalia to khichri to nutritious idlis and sandwiches to keep the children interested. To be doubly sure of the products she used, she would consume the food that she made at least 3 hours before the children got a chance to eat it. So if any product happened to be adulterated it would first affect her. The principal too tasted the food an hour to 45 minutes before feeding the same to the children.

Apart from mental satisfaction it was also financially rewarding. Because of her family commitments Vijaylaxmi refuses to expand her business at this stage but she is able to earn a comfortable pocket money that is enough for her for the time being.

Catering for the theme parties are another easy option to expand business and get quick returns. If your food is good, your existing clients will approach you from time to time to cater for parties, family get together etc. The best thing about such theme parties is of course immediate returns.