The Changing Business Scenario for Small Enterprises in India and Possible Solutions

Priyesh Kanungo
Devi Ahilya Vishwavidyalaya, Indore, INDIA

ABSTRACT
The globalization and proliferation of Internet and Web Technologies have changed the Indian business scenario. This has adversely affected micro, small enterprises and traders. Many businesses are at verge of closing due to increases competitions. In this paper, strategies are suggested to not only sustain the business enterprises but also to increase the profit margins manifolds.

Keywords— Globalization, Web Based Services, User Selling Proposition (USP), Branding, e-Business Model.

I. INTRODUCTION
Every day the world is changing and therefore, the businesses are also changing. The products which were selling like hot cakes 2-3 years back are not able to find customers now. E.g. Camera, Camera rolls, Fax rolls, VCR, cassettes, STD booths are completely obsolete. These changes could not be predicted by anybody: micro, small and medium enterprises, traders, businessman, industry, professional, whole sellers, retailers etc. as the changes had been very fast. Companies which were making these products have gone bankrupt [3].

In past ten years, we have seen the changes which were not observed in past 50 years. Moreover the changes which we notice in one year, which have not been noticed even in 5 years. Out of Fortune 500 companies of 1962, 80% a have disappeared from the list. These are the companies which could not sense the change and have become extinct. No company in the world could foresee the growth of two big products in India. One is mobile phones. In 2012 only, 83 crore mobile phones were sold in India. Growth of mineral water sale is increased to 20000 crore rupees! These markets have grown steeply. The coming 20-25 years will be very important and will provides us many opportunities. These years can prove to be golden years provided we are able to grab these opportunities. Our country is going to see wonderful experience in these coming years.

II. THE REASONS
Change may come due to anything: a new policy of government, a policy change, political unrest, an earthquake, or anew divider. In a petrol pump, the sales gone down by 40% in one day! Can anybody predict why? Due to road divider or fly-over. People have mentality of getting petrol tank full while they are back to home, but due to one way road, they could not go to this pump due to one way in B Class city. The businesses in Kedarnath collapsed due to heavy rain fall. Car accessories business is affected as the new manufacturers themselves are providing all accessories like tape-recorder already fitted. The dealer himself will give you Shri Ganesh Idol, Mithai and Coconut.

The changes can be attributed to two factors, globalization and growth of internet [2].

• Globalization: Till 1992, India was a closed economy. The market was decided by Indian government policies. No outside world interaction. There were too many business restrictions. A company could not produce more than quota allotted to it, otherwise it was penalized e.g. a car company could no manufacture more cars than a fixed limit. India was like a watertight compartment. After globalization, multinational companies came to India. We know the changes after that. Globalization has pushed us for change. You can’t remain detached with world.

• Growth of Internet and Web Technology: Internet is another major factor. It was meant for sharing
of knowledge. Internet has changed the fundamental way of doing business. It was like invention of wheel. When wheel was invented, nobody thought that it will be result in manufacturing of machines and cars, a basis of industrial revolution. Internet changed everybody’s life. It has changed the way we live. Our economy now depends on internet. India emerged a big power in software development. New software companies were opened up. A huge IT manpower was required.

Information Technology Professionals in multinationals are getting huge salaries. They were having luxurious life style required new and innovative products. They need houses, they need cars, they need ACs, they need TVs and production of all these things was shooting up. For example, if we saw an example of real-state company advt., 25 years back they sold houses for 55-60 years old people. Now the advertisements are focused for young 28 years professional, a flat in which husband is cooking and wife is relaxing in the balcony! I mean to say that way of doing business has also changed. The customers’ taste has also changed.

- Growing Competition: Competition is growing everywhere. This competition is going to increase many folds in future. In fact, we have not seen completion as yet. India entrepreneur is still in comfort zone. We have been doing same things for so many years; we have not changed the way businesses are being done. Most obvious short coming could not be seen by the entrepreneurs. The entrepreneurs are satisfied with 15-20-% profit margin or 15-20-% business growth. Internet has made possible many fold growth in business double, or four time, or eight times and so on...owing to e-commerce. If we don’t change our way of, the profit margin will keep on reducing and on a particular day it may be loss also. The entrepreneur will have to change the way of doing business if they want to compete in the market.

China is a manufacturing hub. One entrepreneur in India was manufacturing scrubbers used in kitchen. As his sells increased, he bought more machines, expanded his business. But getting raw material became difficult. One odd day he discovered that, for the same cost for which he bought raw material, he could get better quality finished product from China. He acted smart, now. He stopped manufacturing himself and he started buying the scrubbers from China, and sold them in India. This true for many products.

III. POSSIBLE SOLUTIONS

How to face the competition? The entrepreneur must have strong determination which will decide the speed of the growth of the business, and confidence that will decide direction of the business [5]. Some entrepreneurs know about what is happening but they don’t know what to do now. Others know that something is happening and know what to do but they don’t take proper action. Some people know something is happening, they also know what to do and they take the action. Who can question the owner of the business? Why you bought Oddy car for yourself? Why your business is stagnant at 15%? Why you fly by business class? Why you have borrowed money at such a huge interest? Nobody other than accountant can ask these questions. For the sustenance and growth of business in modern business environment, the entrepreneur need to adopt following solutions:

Innovative Marketing Strategies:

What is marketing? Some people say that marketing is the art of selling comb to a bald person. No, this is not marketing. You can’t sell the product forcibly. Marketing is a function which if you do genuinely, you will have no requirement of selling function. Owing to product’s utility, customer will himself come to buy the product. Take the example of apple who need not sell their products. They can sell 19 Lakh's iPhones in one single day, such is their credibility. Thus if marketing is proper, you need not sell a product. People will stand in long queue to buy product. You must have a USP i.e. unique selling proposition. E.g. Dominos guarantee Pizza delivery in 30 Mins, or Mumbai Dibbawala: or Polo,Mint with hole. This means: What I have, which my competitor does not have. Entrepreneur has to create reputation of his brand. We have to create customers’ faith in the product and services [1].

The MNCs like Wall Mart will come, no one can prevent them. To compete with such multinationals, small traders and enterprises will have to change, modernize, will have to respect customer, listen to customer. The local traders have many good things as compared to companies like Wall mart through which you can pull customers. You have a good location, you may personally know customers, and customers personally know you which are your U.S.P. (Unique Selling Proposition, which means the factor which differentiates your product from competitors). By changing with the time, traditional outlets can compete the multinationals. You have to listen to him, to dialogue with him; you have to give facilities to the customers.

Power of Branding:

Create your own brand rather than selling others’ products i.e. trading. E.g. 30% stake of “Move” was sold in 1000 crore. Balaji Namkeen was offered 1500 crore by Pepsi. In Indore a Gilab Jamun mix producing 3 Tons a day received a offer to produce 9 tons a day. Parley sells 150 Ton biscuits in a day in MP produced in Indore. You have to work hard for creating a brand. Indian entrepreneur is not able to create confidence to work for brand. They still believe in earning operating profits. In future, the trends will be selling of companies, merger, and...
amalgamation. Even many brands merge together. This is going to be the trend of future.

**Customer Satisfaction:**

Customers are changing. Customers’ expectations are increasing, aspirations are increasing, and his ego is increasing. Customers’ age is changing. Even a young 10 years old customer who has come to buy a Rs 5/- Parley biscuit can be your potential customer for next 25 years, even after he marries and has children. Customer is not going to pay for your inefficiencies. He will not pay for your luxuries; he will not pay for high cost of your borrowings. You should able to understand your balance sheet. Your balance sheet should not have blocked money. You should not sit on dead stock. You should not sell goods on credit, particular low margin business like retail. You should add your salary, rent of the building etc. to your cost.

**Manpower Management:**

You should have peace with your neighbor and peace with your labour. In future we will not get good labour in future, permanent labour. Wherever possible the tasks should be automated e.g. using robot vacuum cleaner. In software industry, turnover rate is 17%. If this rate decreases you are giving high salaries. You can’t afford to give good high salary. Employee turnover can’t be prevented. People will keep coming and going. You have to accept this. As owner, you should not always hold the key of business. You have to create a responsible team so that you have chance to enjoy and spare time to family rather than always help up with the business. You can take help of spouse in business who may prove to be a good manager and is more reliable. Her/his potential may be necessary for your business.

**E-Business Model:**

Whether or not you like, customer will force you to shift to web based business model with e-Payment. E-commerce, contextual advertising, social networks, mobile banking, and other innovations has given rise to new business models. The e-Commerce giant Alibaba was founded by Jack Ma started the company with 18 friends in 1999 in China in small apartment. Within few years Alibaba grew into largest Chinese e-commerce company. In 2014, it raise $21.8 billion on New York stock exchange which is largest offering to a US listed company. Jack Ma believed that Internet could be used for business even when this concept was unheard. In 2009 Jack Ma was listed in Time 100 list of world’s 100 most influential people [4].

**IV. CONCLUSION**

To face the increased competition the small entrepreneurs will have to change the way they are doing business. If they continue to use the traditional business models there is risk of getting completely obsolete. They will have to understand the power of branding to increase their U.S.P. and use state-of-art technologies (e.g. e-Business Models) and innovative marketing strategies. They will have to improve manpower management and give utmost importance to customer satisfaction to sustain and grow the business.

**REFERENCES**