

The Era of Startups: Sowing the Seeds for Transformation of Indian Economy A Case about Game Changing Entrepreneurship

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Abstract—PM Narendra Modi launches action plan for startups, giving the green signal to the new age of startups to just get bigger and better. Whether we are in a bubble, only time will tell, but by now it's clear that startups are an integral part of our economic future. Currently #TheBubble is trending and we must adapt. Inspiration is perishable so 'now is the time'. What differentiates Indians from the rest of the world is the spirit of 'jugaad' which is now being scaled up to transform the growth pattern of India. Thus, India has and India will give us many success stories. This case talks about the very same- the thinkers, the believers and the doers of Indian unicorns such as Flipkart, OyoRooms, Taxi For Sure, Housing, highlighting their TEA- thoughts, emotions and actions to come out as a trailblazer and pointing their strategies for building up the model of sustained productivity for their ventures. Before their success/failure stories, the case recites the journey of a startup and how an entrepreneur breathes his vision, day and night. Further, the case extends towards discussing the importance and current scenario of startup-ecosystem. Moreover, as the ecosystem is reshaped and starts becoming more adaptable, and digitization begins to take over, the case throws some light on the future prospects of white-hot startup ecosystem.

Keywords: Startups, Startup Ecosystem, Sustainable Development, Entrepreneurs

1. INTROCUATION

As Indian Economy inches towards its zenith, the age of job creators is evolving. 16 January, 2016 will be marked as an important date in history as our honorable Prime Minister Narendra Modi whole-heartedly welcomed the startups under his Startup India Standup India campaign, assuring them of simpler administrative systems and tax breaks. The much-awaited gift to every aspiring entrepreneur! Possessed by a sense of empathy, these entrepreneurs veer towards solving the problems and they deserve every bit of the motivation from the country and its government. Besides the issue that the mission of the startup will resolve, every startup also solves

the problem of skill development, which in itself will take our country forward. We can say that this is just the beginning.

Building a business is the way most of the successful became very successful. Bill Gates built Microsoft; Michael Dell created Dell Computers in his dormitory room. The problem is- building it from scratch remains the riskiest of all the ways to cross the ladder of success. But the point is- it's the most optimal and independent way to finish the ladder. The willingness to continuously learn, adapt, change and to grow, defines your speed while your guts to stick it out through thick and thin define your focus and strength in your journey to success. Henry Ford, one of the world's greatest businessperson became successful by understanding the market dynamics. During his time, automobiles were available only for rich and his mission was to "Democratize the automobile" and he did. By slashing production costs, and adapting the assembly line to mass-produce standardized inexpensive cars, Ford became the largest automobile producer in the world. Not only Henry Ford won over his customers but by providing the highest wages in the industry, he expressed his gratitude towards his workers and gained their loyalty. Thus, for an entrepreneur it's very important to identify the problem and solve it with the support of his team and it's the generous owner who gets the most loyal workforce. In a nutshell, we can say that a person who starts from nothing but starts with a powerful mission, values a great team and wants to serve and work with as many people as possible, will prove out to be the star-performer in the race of startups.

2. WHAT DOES IT TAKE?

It takes a lot. To be successful is to keep on moving, you might have to crawl but you can never become stagnant. The trending era of startups is catching hold on many youngsters. Trajectory of a startup cannot be predicted but few points can be learned from the operations of startups in the past and in

the present. Hypothetically, if we need to name the stages then we may categorize them as follows:

Stage 1: Seed Sowing

“Those who make magic see the future before anybody else.”
– Travis Kalanick, Founder | Uber

After the selection of right seed, appropriate time and optimal weather conditions, farmers sow the seed with the best technique possible. Entrepreneurs are no less than farmers, one is giving us food while other is creating a job for us to buy that food.

This stage accounts for some of the following decisions:

- Idea Innovation:** Coming up with an idea that addresses an unsolved problem in a convenient and uncomplicated way. What is your vision that'll back up your mission statement? Thinking and reaching to the answer of this question kick starts the journey.
- Business Model:** Write it all down! It's a requisite to have a blueprint, to which one can look back in the future and make changes.
“Planning is guessing”. There are factors that simply cannot be foreseen: market conditions, competitors, the economy, regulations/policies etc. Writing a plan makes one feel in control of things one can't actually control.
- Goals and Objectives:** All these terms may sound interchangeable but they hold significant importance to an entrepreneur. Goals nurture your long-term plan while objectives stick you to your present targets. Setting specific goals and objectives, followed by hitting the target ensures maximum results for the startups.

Entrepreneurship is about courage and the ability to take risks and then stay with it. Entrepreneurship is about people, teams and culture. Then comes capital and funding. Once you know which seed you will plant, **government and the infrastructure are there to make it easy to do business.** With the population of 1.28 billion, we need at least 1 million first-generation entrepreneurs in the next three years and 10 million in the next seven.

Stage 2: Irrigation

Amount of water to be given, frequency of irrigation needs to be decided in the stage after sowing.

This stage accounts for some of the following decisions:

- Marketing and Sales Plan:** To adapt to what's trending forms the real knack in entrepreneurs. Digitalization has become a part of our lives so word-of-mouth, reference, network publicity via all the existing mediums, is what helps startups to enter the market.
- Financial Plan:** To forecast expenses, to determine the cash flow are next steps for startups. Startups plan

everything precisely before the rounds of funding even begins.

- Investors:** Emergence of new sector-focused angel networks, micro-venture capital firms, online-deal making platforms, and more entrepreneurs-turned-investors calms the budding entrepreneurs as flag-bearers of early-stage investing begin to buck up.

Stage 3: Stage of harvesting

Finally, the time comes when you reap what you sow! The yield from the plants, gathering of the ripened crops and marching ahead through the consequences of efforts- define the stage of harvesting. This stage lasts for 5-10 years and the Key Result Areas (KRAs) for the newly-born firm must be identified in this stage. Acquiring customer, gaining scale, improving customer service, record keeping etc. are the key concerns for startups in Stage 3.

Stage 4: What next? Uphill or Downhill

Every strong initiative needs an evangelist or rather as many evangelists as possible. Shri Narendra Modi donned that mantle quite well and gave the much needed push to startup ecosystem. For others to believe in him and then to follow him, every entrepreneur must be clear in his vision. He should be able to inspire people with his conviction, optimism, creativity and strong-headed thinking.

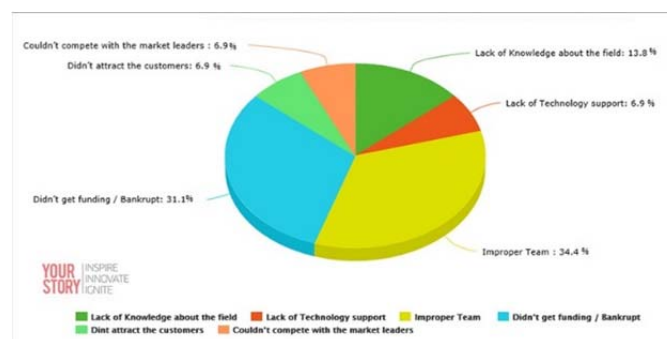


Exhibit 1: Reasons of downhill for a startup

Source: <http://yourstory.com/2014/12/indian-startups-shut-2014/>

The key ingredients for sustainable growth:

After the stages, next we highlight the key formulas that define the sustainable development of a startup. Apart from the diligent, creative and determined entrepreneur, a startup will need a favorable ecosystem to foster his entrepreneurship. Thanks to the new policies and plan of action by the Indian PM that this seems to be less of a constraint anymore.

- EARN RATE > BURN RATE
- Learn to stay lean and mean to avoid overhead costs.
SUSTAINABLE BUSINESS MODEL = PROFITS

3. If (loophole)

TWEAK THE BLUEPRINT;

Else

Keep doing what you are doing;

1. *Customer > Everything else*

Customer is king and queen. Provide your users with updated solutions thus, building nimble teams is important who can adapt to responding to changing market dynamics.

2. *Rejection and Correction = Learning and Acceleration*

The more one risks being rejected, the better are his chances of being accepted.

Now that the case has covered its first section, it moves towards highlighting the stories of various Indian Startups in section II.

3. WE LOOK UP TO THEM: JOURNEY OF KNOWN STARTUPS

ONLINE SHOPPING GIANT FLIPKART

Alexa rank 7, strong hold on market with acquisitions of Myntra, MapMyIndia, FX Mart, Appiterate etc., 14000 employees and day by day inching towards becoming India's first \$100 billion internet company. Started in 2007 by a former employee at Amazon India- Sachin Bansal along with his schoolmate and former colleague Binny Bansal, from the Silicon Valley of India, there's been no stopping to Flipkart since then. Sachin Bansal does have multiple reasons to celebrate his success because the platform which was once started to sell books online is now amongst the top 10 ecommerce companies in the world.

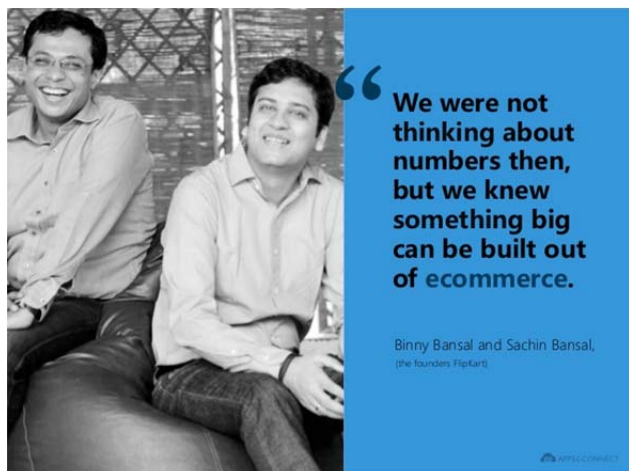


Exhibit 2: Entrepreneurs are psychic!

Source: <http://www.slideshare.net/InSyncSolutionsLtd/best-ecommerce-quotes-from-the-experts>

Sachin had low-confidence while initiating the venture, he and his closed ones could have never predicted its rapid growth. But Flipkart did it, in a short time it's now valued at over US \$17 Billion. There were days when Sachin used to stand outside book stores to hand over the Flipkart bookmarks to customers exiting those stores, he is now one of the wealthiest internet millionaires in India, so his journey from handling bookmarks to handling a multibillion dollar ecommerce company is commendable and inspiring. His conviction to translate ideas into actions and then actions into results is marvelous.

With a funding amount of US\$3.2 billion, many investors believed in Flipkart to push it forward till Series H funding stage. Few of its key investors are: Tiger Global, Iconiq Capital, Investment Authority, Morgan Stanley, Sofina, T. Rowe Price Associates, etc.

Failure and rejection have to be faced by every successful entrepreneur for him to stay low and value his position in the market. Flipkart Big Billion Day '14: #Flopkart, #Failkart, #Fraudkart, etc. were trending as disappointed buyers took to Twitter to express their dissatisfaction. Few of the loopholes behind this disaster are listed below:

- Logistics and Inventory control issues: Total orders received online > 3, 00,000 in the first 6 hours of the sale which crossed the limit of logistics team to process.
- Inefficient Yield Management: Poor demand forecasting of traffic and orders led to inefficient real-time management.
- Supply chain capacity limits in terms of delivery of ordered goods.
- Poor Price penetration: Pricing of several products were changing quite frequently to their non-discounted rates.
- Over-booking: Simultaneous purchases led to overbooking and out-of-stock issues.
- Website issues

Flipkart Big Billion Days '15 came with the solutions to many of the above mentioned problems. Fulfillment Centre across the country ensured efficient supply chain while the updated technology ensured better customer experience online. Also, this time Big Billion Days were app-only and Myntra (in which Flipkart has majority stake) was a good support system for Flipkart. Founders themselves were seen delivering the ordered goods to happy customers. They form perfect examples of conviction and determination. Entrepreneurs must abide by this rule of getting up every time they face denial because evolution doesn't linger on past failures, it's always building upon what works.

Apart from this, Flipkart resolved two of the major problems in its own way. To solve the problem of online payment gateways, Flipkart introduced the concept of cash on delivery

and payment by card on delivery. Moreover, to tackle the issue of supply chain system Flipkart introduced its own supply chain to ensure faster delivery of products. The Bengaluru-headquartered e-tailer now foresees the growth of *Smart homes* category with customers purchasing of products like smart bulbs, automated curtains, entertainment systems and other automated electronics.

OYOROOMS

Ritesh Aggarwal, founder of OyoRooms is 21 and is India's youngest millionaire entrepreneur, having created budget hotel startup 'OyoRooms'. Such young blood change the way entrepreneurs work. With fresh thinking, passionate thoughts and intense actions, Ritesh dropped out from his college to start a bed-and-breakfast chain called Oravel Stays (which later pivoted to become OyoRooms). He was then thrown out of his rented place and had to spend a night in the stairway. And today we read in the newspapers that hotel aggregator OYO Rooms has forayed into south-east Asia through the launch of its operations in Malaysia. The startup has aggressively scaled its presence in India to offers 40,000 rooms already. Entrepreneur writes his own destiny and he can shape it the way his strong will desires.

OyoRooms now expands from its comfort zone to deliver more than the customers ever expected. For better customer experience and to create a sustainable and standardized long-term brand, OYO Rooms is also piloting a food technology venture and an on-demand housekeeping service. Moreover, its tie-up with Bharti Airtel, ensures provision of Wi-Fi and DTH services in OYO branded hotels.

Since raising \$100 million in August, 2015 in a round led by SoftBank, OYO has aggressively expanded its network to 30,000 rooms in over 3,000 properties across 130 Indian cities and towns from 12,000 rooms in 1,200 properties in 73 cities.

'Small is not just a stepping-stone. Small is a great destination in itself.' Growing slow and doing what feels right can take you to a sustainable and profitable journey. Ritesh is a starter who's doing what he loves to do and that too on his own terms and he is writing his success story with his passion and determination. It just takes an idea, a touch of confidence and a push to get started!

TAXI E-HAILING BUSINESS of TAXI FOR SURE bought out by OLA

As time is changing, so are our expectations with significance given more to comfort and convenience! Gone are the days when people used to wait for a taxi or a bus at stands. Passengers now hail taxis via apps. It has risen to become a \$10 billion market. We have many players in this sector catering to the problem of waiting for a cab and with intense competition; major players like OLA and Uber are disrupting the market with new offerings of even courier delivery, Wi-Fi services in cab etc.

Founded by Raghunandan G and Aparmeya Radhakrishna in 2011, **Taxi For Sure**, took an exit after 3 years of their journey. Now although they were bought out by a competitor, it is not a total failure, after all they managed to sell it for a huge US \$200. We get a lot to learn from their story, what went wrong or what could have been done better. Following are the major issues leading to its decline.

1. Deficiency of funds leading to price war

As Ola started garnering truck-loads of funding, they smartly used their funding to lay off heavy discounts on rides and to incentivize their drivers. Workforce was attracted towards Ola and so were the customers. There was a point when Ola fares went even below than that of auto-rickshaw fares. TFS adopted the competitive strategy and decreased their rates which ate their cash reserves and their losses kept increasing exponentially.

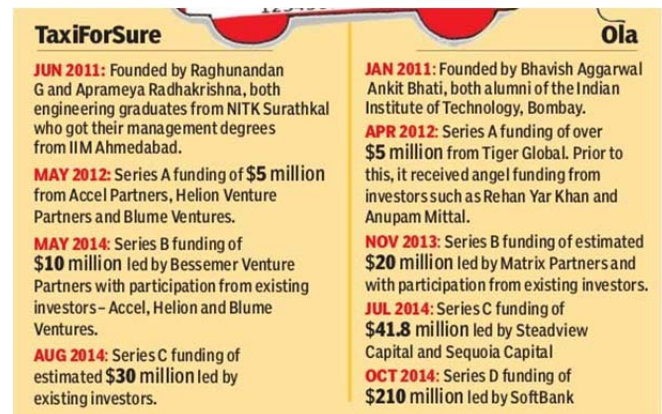


Exhibit 3: Journey of funds for Ola and TFS

Source: <http://www.financialexpress.com/article/companies/ola-gets-into-taxiforsure-for-200-mn/49640/>

2. Lethargic Expansion

Taxi For Sure started operations in Bangalore and few other metros. They stuck to their comfort zones and didn't expand until Ola expanded into 2-3 tier cities in the latter half of 2014. Then it occurred to TFS and they decided to expand with lesser funds in hand.

3. Timing and Ecosystem were not favorable

After the Uber rape case, TFS were denied funding from many VCs. Also, after the case government even went strict with the cab aggregators. People raised their voice against the likes of cab aggregators.

4. Excess Workforce

With workforce of 1800 across all locations in India, TFS was posing extra baggage on Uber, which had a Global Workforce of 800. Thus, Ola sealed the deal with TFS of around \$200 million to acquire the pioneer company.

'You must feel that you're putting a meaningful dent in the universe. That you're part of something important.' Your customers must say, 'this company makes my life better'. If you stopped doing what you do, people should notice and if this is not happening then you must stop doing what you do. If you're going to do something, do something that matters because what you do is your legacy!

4. THE ECOSYSTEM

Indian startups like Flipkart, Practo, Ola, Housing are not only heading towards the path of being successful entrepreneurial ventures but have raised multiple rounds of financing. They are now expanding and becoming active investors and buys for smaller startups, which is good for the ecosystem.

Now what really is this 'Ecosystem'? Just like biological ecosystems that support particular life forms, entrepreneurial and startup ecosystem provide an environment conducive for new ventures to grow. Three important aspects form this ecosystem, namely, **Technological infrastructure, Governmental policy and administrative infrastructure, customer participation.**

A major proportion of the upcoming startups are based around the internet and connectivity. Better internet infrastructure and connectivity not only strengthens a company's service delivery and associated consumer experience, but equally importantly, widens the potential customer base. In India, technological developments in the field of telecom and networking will possibly create a connected society of 1.2 billion people. What this means is that in the future, a startup could very easily be targeting an audience of such vast magnitude. Such is the power of the internet.

The talk of the day is '*ease of doing business*'. Every state government in India and the Central government of India is itself laying stress at creating policies that make it possible for entrepreneurs to establish and run new startups with minimum interference from governmental institutions. The government is also encouraging new ventures by **introducing significant tax breaks** for these job creators. The administrative infrastructure is not only imperative for the startup to establish itself in the market, but also is vital to attract investors. This is how the government is playing a major role in building a startup ecosystem. There are many highlights of the '**Startup India Action Plan**' launched recently by the Indian PM. The *President of Indian Electronics and Semiconductor Association, Mr. M N Vidyashankar*, remarked that now with the government's support, a startup can be launched within a day. He also applauded the government's initiative to extend support in legal matters for filing of patents. The patent filing fees has now reduced by a magnificent 80%. The *CEO and Founder of Practo, Mr. Shashank ND*, lauded the **Atal Innovation Mission**, which targets the entrepreneurial spirit at the grass root level. He also appreciated the government's move to relax labor and financial norms. This will keep the focus of the startup onto innovation.

Analogous to all life forms, the startups need their food to survive! Their **customers are their food**. What if, in spite of all governmental and technological support, the consumer is not ready to accept a startups product and services? There is no ambiguity in the fact that thanks to the internet, the potential customer base for most of the startups is extremely huge, but, this is not a guarantee that it can be turned into profit. A willingness to experience something different, amongst the customers shall be present for a startup to be successful. What if people are disinterested in buying their groceries online? An already existing strong local network of hawkers that offer the same products at competitive prices, or low confidence in quality of vegetables delivered by startups, or any N- number of reasons that might exist, can certainly put the brakes on a startup's journey well before it starts. Thus it is **crucial for these upcoming ventures to select their ecosystems**. Now, unlike biological ecosystems and life cycles, a *startup can choose its birthplace*. This decision shall be backed by **extensive market research, risk analysis, supported by aggressive marketing and long lasting experiential branding, and, contiguous and unhampered delivery of customer satisfaction.**

5. CONCLUSION

The startup bubble that has built up and is expanding at a very rapid pace will quite possibly never burst. It's the new generation and new thinking that's driving this age. Like always, it is the survival of the fittest, and naturally a few players will be eliminated, but also new ones will emerge because ideas are immortal. There is a stage where the prevailing dynamics of market 'click' for the startup and *acche din* starts from there onwards. With Indian population of 1.28 billion, entrepreneurs can today play with many factors such as geography, demography, art of execution, tapping the right customer experience in various languages, message delivery as per the choice of target market etc., to ensure their success. Also, for entrepreneurs to convert into successful story tellers of their ventures, mentorship, funding and ecosystem are needed. The startup trend is just getting hotter with the new ventures now adopting multi-tiered approach by taking a step forward to look after their business's financial, physical and psychological needs. Employees at these startups also veer towards the productivity rather than having to clock in a fixed number of hours at work, which is reciprocated by the young entrepreneurs in form of adequate leisure time to their workforce. It's like the entire country is synchronized with the new-age rhythm of startups. India is on the right track and she needs to be the economic powerhouse for startups, for them to march ahead towards transforming India. India has and will keep on generating the rare breed of trailblazers whose innovative thinking and true global appeal will have profound impact in changing the economic shape of our country. The start bubble or it shall be more rightly called the startup era will revolutionize India's economic structure. There will be a significant shift in India's perception from a

nation that supplies excellent employees to the presently leading economies, to a nation of brilliant employers.

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