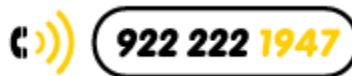# Entrepreneurship – Final Project

A Study on: Chaupaati – phone pe deal

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Executive Summary

This report is submitted as part of evaluation requirements for the core course in Entrepreneurship at Indian School of Business. The mandate for the report is to identify an individual who has been involved in starting or growing a venture, identify the challenges or hurdles faced by this individual through his/her journey and the course of action adopted, analyze these actions and their impacts and conclude with any valuable insights that we have gained.

Kashyap Deorah, who we have studied as part of this exercise, is a first generation, returning Indian entrepreneur. We have tried to study the evolution of his current venture, Chaupaati – "phone pe deal", a phone classified and commerce service, which he started in July 2008. Chaupaati has attracted a lot of media attention for its unique business model, execution and the value proposition it brings to the unorganized business sector in India.

Section 1 of this report contains the story of this venture (as learnt through interviews with Kashyap, and Zishaan Hayath & Kiran Patil, friends from his alma mater who joined him in the ideation stage of the concept behind this venture) – the thought process that Kashyap went through, the various challenges he had to face in setting up an organized entrepreneurial venture in India and how he went about resolving these issues.

In Section 2 of the report we've tried to analyze the results of the actions that have been taken so far and the impact of these actions on the present situation of the venture, trying to integrate our classroom learning to draw relevant conclusions. Here, we studied a similar venture started by another entrepreneur, Abhay Singhal, analyzed the reasons why it did not take off as expected and compared it with Chaupaati's business model. Section 3 of the report has been dedicated to reflect upon the learning that we've gathered through this exercise.

Section I

Background

Kashyap's inclinations towards entrepreneurship were quite evident even from the days he was an undergraduate student at IIT Bombay. He co-founded, RightHalf, the first campus start-up at IIT Bombay's Business Incubator, which was acquired by Stratify initially and then by Iron Mountain for $160 million. After obtaining a bachelor's degree from IIT Bombay, he moved to Silicon Valley in late 2000, working for high-tech startups in sales, business development and product management. There was always an urge to start something again. He came across an opportunity to setup the US Operations for Geodesic (NSE: 503699), an Indian technology company that was expanding globally. The expectation was set even before he joined the company that he would be leaving in two to three years time. This experience benefitted him by giving him an opportunity to reconnect with India, while being in the Silicon Valley. Having successfully setup the international business of Geodesic, Kashyap focused more time and energies towards the venture he wanted to start.

Genesis of "Chaupaati – phone pe deal"

The first decision that Kashyap faced was whether to start something in Silicon Valley itself or return to India and do something here. The sheer number of problems that existed in India, which gave rise to opportunities that can be converted into profitable business models and better prospects of long term growth, were more appealing than the congenial environment that Silicon Valley provides for ambitious startups. He started tapping into his contacts in India and the network he had built while setting up the US operations for Geodesic. During this time, he connected with Zishaan Hayath, his friend from IIT Bombay who was working as a management consultant with Opera Consulting. For them, the idea behind the venture had to be:

- Consumer-driven
- Addressing mass consumers and adding to the livelihood of common people in India
- A business that scales with technology, as technology businesses were one of Kashyap's key strengths.

Once these criteria were established, Kashyap and Zishaan worked towards deciding the 3Ts:

- Target Audience
- Technology to be used
- Team formation

Why Mobile Telephone based service?

While still in the Silicon Valley, settled with a comfortable and well earning job, Kashyap had started reading up trends at a macro level, talking to people and understanding what played an important role in their lives. His attention was drawn towards the mobile consumer base in India.

The mobile consumer base in India was growing at a rapid pace and on an average every earning Indian owned a mobile. With a working population of approximately 300 million, it was an extremely attractive option. Kashyap and Zishaan started understanding the purposes Indian consumers utilized a mobile phone for. They realized that Indians had strong socio-economic aspirations. Unlike in America, where the middle class population generally earned to spend, to travel etc, the priorities for Indians were to earn more money, save more for a secure future for themselves and for their children. They utilized every opportunity towards this end and as such mobile phones had become as much a medium for commerce as a tool for communication.

They wanted to offer a mobile based solution that would help people transact better by spending less effort. While further sieving the ideas, they rejected automated solutions or solutions that were high-tech and required consumers to subscribe or download through technologies such as GPRS, WAP etc as these would limit the mass acceptance of the service. They wanted a simple solution that was voice based and which can be effectively used by the lay man. This led to the idea of Chaupaati – a phone based classified service.

They further refined the idea by thinking of ways to have a growing, sustainable business model around it, testing it to

- Get the right focus and understand the actual needs
- See the practical applicability of the solution
- Check if a large enough user base could be generated

Initial Challenges

Team

Six months prior to moving back to India to pursue this venture, Kashyap had started thinking about the team. He felt it was important to have someone who he was comfortable working with, could trust and had a similar outlook. Later on he would need people with specific skills or domain expertise, but initially, the chemistry was crucial. According to him, in the beginning stages there are a lot of upheavals and you need someone you enjoy working with to go through all of them. When to draw the line where people joining the team became founders or employees was more based on his intuition than on anything else.

One important factor about the team that Kashyap says is necessary is to keep them motivated to go through the initial hiccups. The team working in a startup derives real energy from making things fall into place and witness first time events – the first customer coming through, people starting to use the service, the first deal closed, the first corporate client etc. As such, it is necessary for such firsts to keep happening on a regular basis in order to keep going.

Financial

Having planned about the time he was going to return to India, Kashyap had started saving to help him go through the initial days of the venture. Towards the end of his stay in US, he had started working part-time at the company in order to concentrate more towards the startup activities. After returning to India, he stayed with his parents in Mumbai and worked from his father's office initially. This saved money and took away the time pressure to start something quickly.

Cultural

In India, people perceive venturing into small start ups as a way to hide one's inability to perform in a large company especially when you were in your 30s, had graduated from a premier institute such as IIT and had been working in Silicon Valley for over half a decade. Unlike in Silicon Valley, the people and society in India are still witnessing the early stages of skilled people starting out on their own. Kashyap feels that although there is a lot of talk around organized entrepreneurship, not a lot of them are successful yet and even those that have been successful, such as, Naukri.com, TeamLease, Just Dial etc went through a long gestation period as compared to similar startups in the Silicon Valley.

The cultural bias only makes it difficult to go through the long gestation periods and founders have to undergo a lot of frustration in the initial stages of their ventures when their solutions are yet to gain acceptance from the public. People who get into entrepreneurship because it is cool, find it difficult to last beyond this stage.

Form and Structure of the Organization

Kashyap felt that it was important to bring a second person on-board in order to go through the initial tasks that look ever so daunting. The Private Limited form of the organization makes this task simpler and is also investment friendly. He felt that a Partnership or Sole Proprietorship would have relatively lesser flexibility from a point of view of building broader ownership through shares.

The company currently has five core functions, viz., Technology, Product, Sales, Marketing and Operations. Kashyap is the CEO of the firm. Zishaan heads Product and Corporate Sales. Kiran Patil heads Operations and Retail Sales, Hemant Goteti heads the Technology and Amit Deorukhkar heads Marketing.

They also have five strategic advisors – Sumeet Mehta, an IIM Ahmedabad alumnus and CEO of Zee Interactive Learning Systems, V T Bharadwaj, an IIM Ahmedabad alumnus and Vice President with Sequoia Capital (detail profiles in Exhibit 1), Sudhir Sitapati, IIM Ahmedabad alumnus and senior executive at Hindustan Unilever, Anantha Krishnan, a senior VP at Lowe-

Lintas, Michael Fernandes, IIM Calcutta alumnus, ex-McKinsey Partner and currently Partner at Khazana Nazional.

Investment

Kashyap decided to go for Angel Investors, primarily among his network and people with whom he had worked with earlier. One of the important characteristics of a startup is the need to be agile because things in a startup evolve fast and quick decisions and fast changes in the idea itself or business direction are not uncommon. Another important aspect between the founders and investors is the mutual trust. Although pre-revenue funding by VCs has almost stopped these days, when they started off there were still some VCs who would look at investments at an ideation stage. He perceived that having to go through a committee every time a decision has to be made or changed would kill the agility that is required in a startup. On the other hand, when things are not going good, VCs would look at protecting their investment and hence invest further, while Angel investors could only go so far.

Kashyap had known Anand Rajaraman personally through his first start-up Righthalf, although he had never worked with him. Anand became the lead investor in Chaupaati, with an investment of around Rs. 1.3 Crores, as well as brought in his vast experience (Exhibit 1) as a member of the Board of Directors. Kashyap secured investments of another Rs. 0.6 Crore from some of his immediate family and friends as well.

Unlike in Silicon Value where funding for startups is equity driven, in India investments in most startups are loan driven. Once the venture hits a certain revenue rate with a certain margin, it becomes formally attractive to institutional investors. However, Kashyap does not plan to bring in more Angel investors (would take away the flexibility) or any institutional investors until making the business profitable with good revenue growth. The preferred exit is an IPO.

Chaupaati – The offering [1]

Chaupaati's brand promise is "phone pe deal". The vision is to offer a medium that consumers in unorganized business in India can use to connect for commercial transactions. Adding value to these unorganized businesses is easy but doing so profitably was a problem. Typically, retailers try to squeeze every paisa irrespective of the value added. The company is based out of Mumbai, where people call Chaupaati to find the best deals on mobiles, computers, furniture, consumer durables, automobiles, real estate etc. Households, entrepreneurs and unorganized businesses call the same number to advertise these deals, then receive leads by SMS and pay per lead, as per their subscription plan – prepaid for individuals and small retailers and postpaid for large retailers and corporate clients.

More than 90% people in India work in the 'unorganized sector'. References and word of mouth in the immediate network are primary ways to search for opportunities, jobs, key purchases etc and typically involve several middlemen. Mobile phones are the most convenient and widely

used medium of communication and Chaupaati offers the promise of being able to close such transactions on the phone. There are a lot of existing yellow pages services in the form of publications, online services and telephone services ("talking yellow pages"). While these just advertise and list the contact and business details, Chaupaati differentiates itself by listing the inventory of each retailer as well. Unlike these companies, Chaupaati is built for the semi-literate, vernacular audience in unorganized businesses, thereby addressing the latent needs and non-consumption towards the bottom of the pyramid.

The official market for mobile phone handsets in India is Rs 70,000 crores ($13.6 billion), consumer durables is Rs 40,000 crores ($7.74 billion), computers is Rs 20,000 crores ($3.9 billion), automobiles is Rs 45,000 crores ($8.7 billion) and real estate is Rs 200,000 crores ($38.9 billion). It is estimated that in each segment, one-third of all transactions are second-hand and are not recorded. Thus, actual volumes in each category would be about 50% higher than the above numbers. As a result, Chaupaati's service makes many illiquid items liquid.

Similar to Google's business model, an advertiser pays Chaupaati per lead, but there is no fee to post an advertisement. On an average, the company earns 2% to 5% of the item's value. The number of leads needed to get the deal done differs for each category. Average conversion rates are 10%, going up to even 50% for some transactions. This puts Chaupaati's addressable market at Rs.10,000 crores ($1.9 billion) for the above categories alone.

The typical buyer has a household income of Rs.10,000 ($195) per month. The typical seller is a local retailer with expertise in assembling, re-furbishing and after-sales service. Currently available in Mumbai only, Chaupaati receives over 10,000 calls per month, with peak days crossing 1,000 calls a day. The company has over 40,000 unique users, 25% of whom are sellers. The company has generated 60,000 potential deals and estimates that deals worth Rs.10 crores ($1.94 million) have been transacted through Chaupaati. A few hundred dealers have signed up for subscription plans in which they pre-pay for a certain number of leads in order to lock in a good price-per-lead. As Chaupaati's usage increases, the field sales staff and customer service executives in the call centre will have to increase proportionately, making it a variable cost business. Scaling the sales and collection model to monetize the service are the real challenges. Mobile sales generate the highest volume and computer and home appliances bring in the maximum revenue while automobile and rentals are the fastest growing categories.

The company started generating revenues in December 2008 and revenues were tripled by January, and further doubled by February. If this growth is maintained, the company expects to become profitable soon.

The Path Ahead

Chaupaati is still in a state of evolution. From Kashyap's point of view, the rule of the game – phone pe deal, still remains. They are testing other areas within this theme and could evolve into any kind of business in the future. He envisions becoming industry pioneers in phone commerce.

From the aim of being a premier "deal directory", they have expanded their scope to commercial transactions and closing the deals, in their pursuit to adapt the firm's offerings as they learn more about the opportunities in the market. The idea is to provide a service where customers call Chaupaati and Chaupaati does the shopping on their behalf. With the inclusion of this to the scope, they have added 2 new areas to their business.

- One is that of the commerce in durable goods market where they aim to capture 2-5% share of the unorganized market (in the geographies that they are active in) as well as a share of the organized retail by becoming the store front for a wide variety of branded goods ranging from durables (5 to 12% margins) to books/DVDs (10 to 50% margins).

- Another is that of information services in the Travel, Real Estate and Education sectors. By considering these, the addressable market size for Chaupaati increases manifold as these areas comprise 35% of GDP of the country or $ 350 billion.

Section II – Our Analysis

Kashyap's venture tries to leverage multiple factors. A few of them are mentioned below:

- The mobile subscriber base in India, which is witnessing ever increasing growth rates and is becoming one of the largest telecom markets in the world. Given the proportion of people using mobiles for commercial transactions, the size of the market that Chaupaati taps into is humongous approximately 300 million mobile users.

- Localized search and vernacular services try to access the unmet needs and huge potential of unorganized retailing in India, the so called "bottom of the pyramid".

Chaupaati's Value Proposition

In order to analyze the sustainability of Chaupaati's business model, we studied a similar venture started by Abhay Singhal, an IIT Kanpur graduate. Abhay has been an entrepreneur all through his career. He started his first company TeN, while he was still an undergraduate student. He exited this venture to start a SMS (Short Messaging Service) based classified service. Abhay was one of the first to realize the potential of phone classifieds and started his venture in Bombay in 2005 backed by $500,000 in VC funds. The proposition that his venture offered was that customers looking to buy goods would send SMS about the goods and their locality and they would in turn receive details of retailers selling these goods, discounts being offered etc, also through SMS. Realizing the limited potential of the venture, Abhay soon moved out and co-founded his new venture mKhoj, a mobile advertising firm.

We analyzed the reasons why the SMS based phone classified service did not take off as expected and compared as to how Chaupaati's business model tries to overcome these problems:

1. One of the problem's Abhay faced was that of high cost of maintaining data, deal sourcing and content refreshment. If offers are not updated regularly, customers will start losing confidence in the service.

   In case of Chaupaati, the content refreshment cost would've been high too if they had to go after each merchant whose inventory was listed, to update the data. However, when merchants change their inventory they get leads and calls from customers for products they are not stocking currently. As such, they start losing money per call, as they pay on a per-call basis. This forces them to voluntarily contact Chaupaati for updating the inventory. As the cost of an inbound call at Chaupaati is not very huge, it is operationally economical also to handle such calls from merchants.

   Another factor that works in Chaupaati's favor in this context is the high conversion rate. Kashyap and team have gathered enough testimonials (some of these testimonial videos are even available on YouTube - http://www.youtube.com/watch?v=173jUuTkLd8) from

sellers using the service who vouch for conversion rates (closed deals) of 10% to 50% of the leads they receive, which is unheard of with most advertising media. This not only helps in selling the service and locking in the retailers, but also ensures that the sellers proactively update their inventory.

Such updated content in turn improves the chances of a transaction happening and thus increases the attractiveness of the service to customers who call Chaupaati as well as the sellers who enlist.

2. Unreliable addresses and pin codes are another hindrance for the effectiveness of the service. Unlike in US or other western countries, maps in India are too dynamic, roads do not have names, any given location would've at least two or more pin codes and the changes happening due to new construction etc make it even harder to keep track of the addresses. In case of Abhay's venture this created a problem in matching deals from appropriate locations.

    At Chaupaati, customer's requirements are matched with sellers/merchants in all nearby areas, through technology developed in-house. These merchants are then sent SMSes asking them to respond to Chaupaati if they would be interested in selling to customers with these particular requirements. Customers' contacts are not provided to merchants at this stage. Only after interested merchants respond, such information is collated and contacts passed onto the customer as well as interested merchants. Merchants would respond only if they believe they can serve the customer in a particular locality and proactively make arrangements in order to close the transaction even if the customer is situated far away.

3. Dropped enquiries, which occur when customers using the service do not pursue the deals further, are also a problem as they lead to low conversion rates.

    Chaupaati shares the contact information and product/service requirements of the calling customer with interested merchants. Since the merchant is paying for every lead that they receive they are encouraged to proactively approach the customers and pursue to close the deal.

4. Another problem that Abhay faced was getting customers/buyers to use SMS. Given that the service primarily targets the unorganized sector where customers are mostly semi-literate, it requires a lot of effort to initiate them in to using SMS and most of the target customers would not be comfortable using the service.

If people are not adapted to the technology and comfortable with it, it becomes difficult to sell the concept. Since Chaupaati's service is voice based, it is more convenient for both buyers and merchants to use. Also, Chaupaati's call center advisors are trained to be well versed in the local language apart from being fluent in English (we even verified this by making calls ourselves).

When Abhay started his venture in 2005, the mobile subscriber base in India was approximately 76 million (2). In 2008, when Chaupaati's operations started the expected number of mobile subscribers across the country was around 300 million. This dramatic increase not only demonstrates the rate at which the mobile subscriber base in India is growing (in 2009, one of the largest service providers, Airtel alone had 100 million subscribers) but also indicates the market potential that Chaupaati can tap into.

Competition and Chaupaati

Kashyap believes that for every customer set, they are competing against different forms of competition. For customers who call Chaupaati, they compete against the traditional word-of-mouth network. For brands, they compete with channels such as call centers and BPOs that are willing to work on a pay-per-performance basis and with other advertising media and media agencies. For merchants/retailers, they compete with classified services such as JustDial, Sulekha, AskLaila etc.

According to us, some features of Chaupaati, clearly differentiate it from the competition of other classified services:

1. JustDial and other services only list and/or advertise. A customer can only obtain the merchants contact details from these services. Chaupaati, on the other hand, also lists the inventory that these merchants carry. This helps the customer to specify and further narrow down the search to their exact requirements. This makes the service attractive to customers by saving them a lot of time and effort that would've been otherwise spent in contacting each merchant and finding out if the product/service required is in fact available.

2. Also, the merchants get more relevant leads and genuine queries which then contribute towards conversion rates that they do not witness in using the competition's service. For instance, in a testimonial (YouTube link given above), one of the merchants who listed with JustDial was able to close only 2 or 3 deals annually that came through JustDial.

3. From the merchants' point of view, cost of service for Chaupaati is very affordable and the rate of return is very high too. Merchants can purchase prepaid subscriptions in various denominations that start at as low as Rs. 350. Whereas the cost of an annual listing on JustDial is approximately Rs. 18000 (*source:* merchant's testimonial video).

While competition is targeting the top of the pyramid, Chaupaati, by targeting the bottom of the pyramid, has, in classic blue ocean strategy style, created a new value offering that is different from the competition and in the process has carved a new segment for itself.

4. Kashyap and the management team at Chaupaati strongly believe in a highly skilled workforce at the call center. They are well-trained and are conversant not just with the product details but also with the local requirements.

Threats

Some of the competitors, such as Just Dial, have the advantage of a head start and heavy investment. Through aggressive sales forces, they have been able to establish a nation-wide business. While they do face challenges in emulating Chaupaati's business model, it is not completely impossible. In fact customers calling Just Dial can now receive the contacts of merchants and are even directly routed to the merchant in some cases. For instance, while trying to enquire about the contact details of a multiplex in Hyderabad screening a particular movie, they not only sent us an SMS with the contacts but also connected the call directly to the merchant for booking tickets.

Strengths

In our view Chaupaati's key strengths are:

- A business model where it not only advertises the merchants but also lists the available inventory, leading to higher conversion rates

- Affordable service for merchants with high rates of return that particularly adds a lot of value to businesses at the low end of consumption

- A focused top management team, backed by strong investment and an eminent advisory board.

- Focus on high quality customer interaction through well trained and motivated call center representatives and field staff.

Opportunities

Kashyap strongly believes that one of the key survival characteristics for a startup is its agility, agility to adapt to market conditions and change the direction of business decisions by quickly factoring in the feedback from the market. By expanding its initial scope from a phone classified service to a phone based commerce service, Chaupaati has clearly demonstrated this ability. The management team is ready to switch the course of navigation as required by market conditions while keeping the brand promise of "phone pe deal" (deal on phone) intact.

Chaupaati's services are currently only available in one city in India, in Mumbai, and with just that it has carved a niche for itself and its business model has attracted a lot of interest. There is a lot of untapped potential in other geographies and much can be done at the real "bottom of the pyramid" – the rural and semi-rural markets. However, the challenge is that the business model is based on local content development and benefits of scale may be difficult to achieve. Expansion thus may pose problems as it would require developing knowledge the local area. If Kashyap and team can overcome this and find ways to scale up the business model, the opportunity for growth is enormous.

Section III – Learning and Reflection

It was an immense learning experience to delve into Kashyap's venture in order to understand his entrepreneurial mindset. We tried to draw comparisons with what we have learning in the classroom in the Entrepreneurship course. While a lot of the learning is tacit, we have attempted to reflect and compile as much as possible in this section.

Evaluating and Developing the Opportunity

Kashyap talked about the challenges that his firm faces in the fragmented service industry. Amar Bhide, in his article "How Entrepreneurs craft strategies that work" [3] suggests that firms in such an environment cannot establish proprietary advantages easily but can still make high profits by providing quality service tailored to client demands. One important characteristic that Kashyap mentioned as required for a startup is agility. Putting these two together, we can infer that agility is required in order to survive in the initial stages of a venture. It also leads to the discussion (was also debated in one of Prof. Atul Nerkar's classes) whether an entrepreneur should change the business model in order to suit the needs of the market. From what we have learnt from this experience, it is essential for a startup to be flexible enough to alter the business model if it becomes necessary, as long as it aligns with the vision with which the venture was started. In Chaupaati's case, when moving from being just a phone classified service to phone commerce service, the business model might have needed a few tinkers, but the brand promise or vision of "phone pe deal" has remained intact.

It is essential that the venture must be a complete fit for the entrepreneur in terms of his aspirations. The entrepreneur is faced with many tricky issues that seem to be insurmountable at times, it is important to have a passion for the chosen business to keep moving forward in difficult times. He should be able to evaluate the opportunities presented by the business against the sacrifices that he would need to make on the road to success. Kashyap carefully chose a technology oriented business as he had always been associated with technology businesses and it had become his forte. He also mentioned about the various roadblocks that he encountered during the initial days of his venture. While entrepreneurs should have enough belief in their ideas to survive the initial rough ride, an objective outlook is also necessary to critically evaluate the situation all along so as to be able to get out before losing too much and move on. One example we came across is the way Abhay exited his venture as soon as he found that the market conditions were not suitable enough to sustain the business and moved onto start another successful venture (Abhay is now the co-founder and Vice President – Global Ad Sales of mKhoj, a mobile advertising company).

By comparing Chaupaati with Abhay's venture we also got to understand that the timing of a venture is also critical. Many ventures fail because the underlying idea or concept is ahead of its time. Managing the timing includes ensuring that the macroeconomic conditions such as regulation, technological advances etc are suitable and the target population is ready to accept

and use the concept. For instance, unlike Abhay's venture, by the time Chaupaati came into being, mobile phones had become an integral part of the way people communicated with each other.

Securing Resources

Kashyap felt that writing a detailed business plan was not his main criteria for a successful venture as he felt that if the idea is powerful and your investors trust in your capability, proving the merit of your venture is never a concern. However, in various interviews, Kashyap gave a vivid description of the background work he and other co-founders had carried out before actually starting the venture. By following the macroeconomic trends, researching the market and carrying out initial tests, they had gathered enough data to convince the investors. In his article titled "How to Write a Great Business Plan" [4] William Sahlman mentions that investors today understand that financial projections for a new company – especially detailed, month-by-month projections that stretch out for more than a year – are an act of imagination. It is difficult to correctly anticipate how much capital and time will be required to accomplish their objectives.

Kashyap also believes that an idea unfolds itself at various stages of implementation and to pen them down, restricts the thought process. In Sahlman's words [4] "Business plans must include numbers that appear mainly in the form of a business model that shows that the entrepreneur has considered almost all relevant measures leading to success or failure." Chaupaati investors had a very clear knowledge about the way the company was designed and what was its progress path for times to come, but this was all established through various meetings and discussions between Kashyap and the investors. Just focusing on creating an excellent business plan will work no wonders. A person trying to start a venture needs to have done a lot of ground work, be it developing a prototype, or gathering market research. Business plan, then, will only complement these efforts and help in securing investments.

From the multitude of case studies, and in our interviews with Kashyap, we learnt that too early and too much money increases the likelihood of the entrepreneur to be complacent. Kashyap has talked extensively about going for angel investors who have confidence in him, as it helps in being flexible about the business direction, rather than raising VC money to grow the company as the limitations that come with it could be taxing for a startup that needs to be agile in order to survive and grow. We learnt that it is more important to put each step in the right place, by keeping a check on the speed - which is possible when one utilizes each bit of cash that they have prudently, rather than moving fast into the market only to discover that the foundation was not laid out properly.

Growing and Sustaining the Enterprise

Kashyap talks about how they, as a firm, are grabbing all possible opportunities, in the realm of his vision, to grow and sustain the business. In the article "Hustle as Strategy" (5), Amar Bhide says that when the vision is wide enough it allows individual hustlers the right amount of latitude

in finding opportunities. We have learnt that many a times new businesses are so small that competitors do not make efforts to come after them, given that a large number of them anyways fail. In such a scenario instead of focusing on building a large competitive advantage, a small growing firm could benefit from doing things fast and correctly. A strategy which maximizes the value proposition offered to the customers, whether it is financial or aesthetical, matched by superior execution is set to be the winner. According to Bhide [5], it's the resulting hustle, from superior execution, that outlasts product cycles and wins against unremitting competition.

Kashyap brought forward useful insights when he talked about competition. He pointed that his firm faced competition from various sources of information like bulletin boards, newspaper and online classifieds apart from other phone classifieds. As Michael Porter [3] points out a new venture faces competition not only from the rivals of the same goods but also from potential substitutes, buyers and other new entrants. The learning can be directly applied to Kashyap's venture and we can categorize the competitors in these generalized buckets. An entrepreneur has to be vigilant enough to be able to detect even indirect threats to the business and take suitable action in order to mitigate the risks from such threats.

In Kashyap's view, effective sales and marketing is given very high importance and this is evident from the amount of time and effort they spend on training and development of their call centre executives and their field staff. Chaupaati staff is fully equipped with the product knowledge and is conversant with the local language, so that customer interaction is smooth and convenient. In the note "Selling as a Systematic Process" [6], Michael Alter mentions that the main driving factor of a successful sales, apart from the offering; is the people behind the sale. Relationships and attitude comprise a large part of a successful and sustainable client association. For example, FMCG sale is usually closed in a single sales call whereas a sophisticated industrial product will go through all the above mentioned phases before realizing. Adopting this philosophy, Kashyap has divided his sales into Corporate & retail sales which are managed by different people with specific skills in their respective fields. While a lot of focus in management is on Marketing, startups thrive, at least initially, on the abilities of their sales force to clinch that important deal every day.

Kashyap is very optimistic about taking Chaupaati to the level of being a public company, however even though IPO is the preferred exit, Kashyap feels that there are some requirements before a company can think of going public – 10 crores a year kind of revenue with 20-30% margin and at-least 6-7 years of successful business operations make the idea of going public, seriously considerable. In his work "A note on the Initial Public Offering Process" [7], Josh Lerner mentions that the motivations for a firm to go public are the need to raise funds for growth, expansion and R&D, the desire to achieve liquidity, and the fact that going public may help the firm in its interactions with customers or suppliers. This gives us an insight into the finer aspects that an entrepreneur has to ensure before attempting to take the firm public.

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Appendix

Exhibit 1 – Profiles of people behind Chaupaati

Team

Kashyap Deorah – Founder and CEO

Kashyap co-founded Righthalf, the first campus start-up as part of the IIT Bombay Business Incubator. After a successful acquisition of Righthalf by Stratify (now acquired by Iron Mountain for $160MM), he moved to the Silicon Valley in late 2000. Since then, he has worked with high-tech startups doing sales, business development and product management. In August 2005, Kashyap started the US office of Geodesic (NSE: 503699) in the capacity of VP, Business Development. He maintains a travel blog where he logs his travels and tribulations. Kashyap graduated from IIT Bombay with a B. Tech. in Computer Science and Engineering.

Zishaan Hayath – Head, Product and Corporate Sales

Zishaan worked with ITC Limited before joining Opera Solutions, a boutique consulting firm, as their first employee in India. He has worked in India, US and UK on consulting projects for a leading publishing house, large banks and financial services companies. He has also worked extensively on firm development and set up of Opera's new office in India. Zishaan dabbles in photography, loves traveling, and is a keen student of world cultures and world cities. Zishaan graduated from IIT Bombay with a B. Tech and M. Tech in Civil Engineering.

Kiran Patil – Head, Operations and Retail Sales

Kiran has shuffled between being an entrepreneur and project manager for business research through his career. He founded RuralTech Services in 2006 to transfer rural technologies from research and academia to applications in jaggery-making, banana stem processing, lichee processing and renewable energy units. As project manager, he spent majority of his time with Evalueserve in Gurgaon, heading business research for Chemicals where he managed a team of 20 analysts. Kiran is an avid trekker, freelance writer, social entrepreneur, and a passionate student of unorganized markets in India. Kiran graduated from IIT Bombay with a B. Tech. and M. Tech. in Chemical Engineering.

Hemanth Goteti – Head, Technology

Hemanth is a businessman in an engineer's body. Hemanth has always been with start-ups and small teams doing software development for web-based consumer products and pre-sales service engagements. Before joining Chaupaati, he was part of the 3-person India team of Qlipmedia, a VC-funded start-up based out of Silicon Valley. Hemanth is an exceptional designer, agile developer and the coolest head in the room in the face of adversity. Hemanth graduated from IIT Bombay with a B.Tech. in Aerospace Engineering.

Investors

Anand Rajaraman – Lead Investor

Anand Rajaraman has been involved in business, venture funding, research and academia since the start of the Internet becoming a part of our daily lives. Anand was co-founder and CTO of Junglee, the first shopping search engine which was acquired by Amazon.com in 1998 for $250 million, playing a key role in developing Junglee's award-winning Virtual Database technology. As Director of Technology at Amazon.com, he led the strategic transformation of Amazon.com from a retailer into a retail platform, enabling third-party retailers to sell on Amazon.com's website. Third-party transaction account for 30% of gross merchandise sales, and represent Amazon's fastest-growing and most profitable business segment.

Anand is a Founding Partner of Cambrian Ventures that has invested in Internet companies such as Efficient Frontier, Kaltix (acquired by Google), Neoteris (acquired by Juniper), Transformic (acquired by Google), TheFind, and Aster Data.

Anand has extensive research and development experience at Stanford University, AT&T Bell Labs, and Xerox PARC, with numerous publications, patents, and awards at leading academic and industry forums. He obtained his Bachelor's degree in Computer Science and Engineering from the IIT Madras, where he won the President of India Gold Medal for graduating at the top of his class, and his MS and PhD in Computer Science from Stanford University. Anand has been featured in articles in Business Week, the San Francisco Chronicle, and other leading national publications. Anand serves as Consulting Assistant Professor at Stanford University's Computer Science Department, and as investor, advisor, and Board member to several Silicon Valley startups.

Additional Investors

G. Adhiseshann (Parsn, private investor)

Ashok Deorah (Real Value Appliances, private investor)

Meena Srinivasan (Stratify)

Michael Fernandes (Nicholas Piramal, McKinsey India, IIM Calcutta)

Rakesh Mathur (Webaroo, Junglee, IIT Bombay)

Venky Harinarayan (Kosmix, Junglee, Stanford, IIT Madras)

Vigyan Singhal (Elastix, Jasper, Berkeley, IIT Kanpur)

Advisors

Sumeet Mehta

Sumeet is CEO of Zee Interactive Learning Systems, the education division of ETC Networks Limited. ZILS runs KidZee, India's No. 1 chain of pre-schools, with 415 operational pre-schools in 275 cities. Before ZILS, he spent over 8 years in Procter & Gamble doing Brand Management. Marketing is the core leadership function of P&G and Sumeet's contributions to game-changing strategies for multiple P&G brands have been consistently recognized. Sumeet turned around Metamucil and Olay Regenerist in Australia/New Zealand, launched Zest in Philippines, and rejuvenated Vicks Cough Drops in India. Sumeet is a graduate from IIM Ahmedabad and a BE (Electrical) from PEC, Chandigarh. He enjoys teaching, conducts an annual Summer Camp for kids and is Visiting Faculty at multiple business schools in India. He is also an avid blogger and traveler.

V T Bharadwaj

VT Bharadwaj is a Vice President with Sequoia Capital India. Prior to joining Sequoia Capital India, VT worked at McKinsey & Company serving energy, automotive and several retail clients at the early stage of development. VT received an MBA from the IIM Ahmedabad where he was awarded the President's Gold Medal. He also holds a BS in engineering from BITS Pilani.