

Lean Startup Management

Digital Assignment 3

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Slot: TE1

The Question:

For DA-2 / DA-3 (Successful /failed Indian startup), the following should be included:

1. History of the startup, and its founder(s)
2. Product or service offered by the startup
3. Business Model
4. What led to its success / failure?
5. Lessons learnt by you

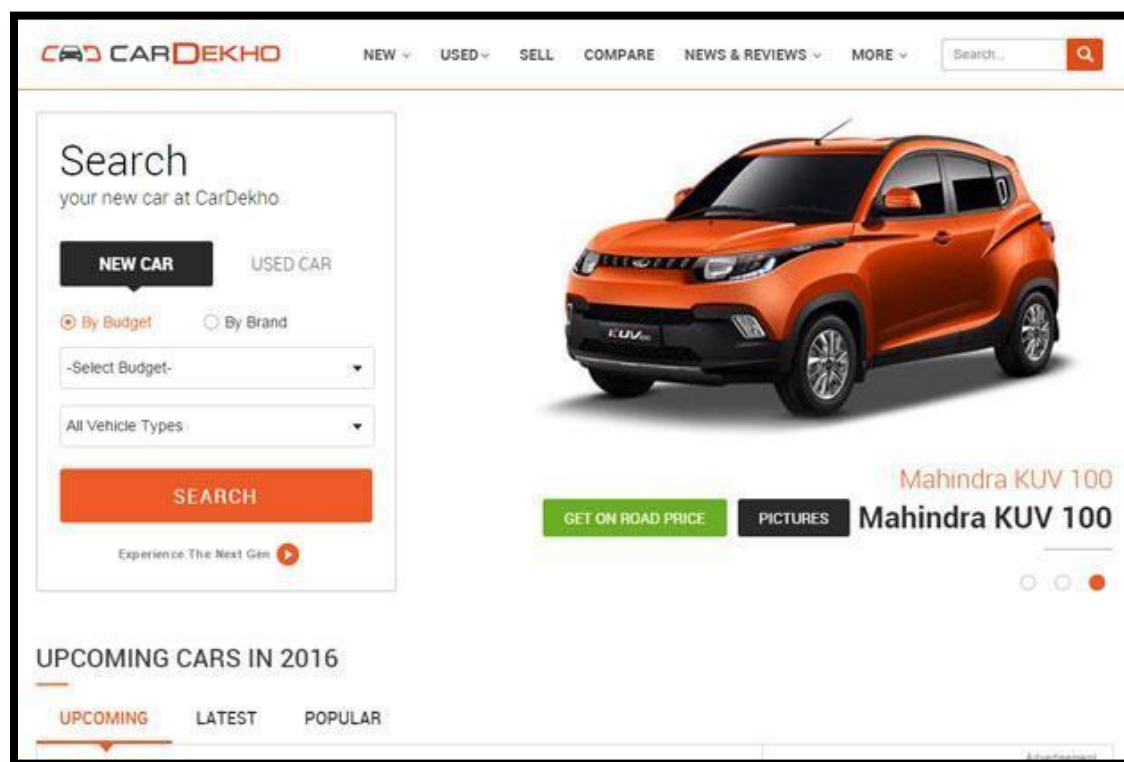
The assignment should be in pdf, and should not exceed 10 pages



History of the startup, and its founder(s)

Amit Jain's CarDekho is a story of a small-town startup in India achieving big success. At his office reception in Jaipur, a touristy town in India, Amit has put up a wall-sized medieval world map showing the few empires that existed then. From Jaipur, Amit wants to conquer classifieds and automobile-related web services.

After India, Amit has set his sight on Southeast Asia, where it is already active in countries such as Indonesia.



While raising capital and diluting equity are hailed as the cool and logical way to build business for new-age startups, brothers Amit and Anurag Jain of CarDekho prefer to dilute less and are still on the way to building a scalable business. “Once, a veteran entrepreneur told me that 80 per cent of new-stage startups don’t know the perfect time and terms of raising institutional capital. This turns out largely to be true in the current scenario,” says Amit (38).

Today, the success of any startup is largely evaluated on frequency and the amount of funding it attracted.

Bootstrapping in initial years helps you learn frugality and dilute less

Drowning in a frenzied desire to scale, founders of VC-funded startups often end up diluting a major chunk of their equity, and, hence, control on the company. So far, Girnar Soft that owns CarDekho secured over \$6 million VC capital over two rounds; still Amit and Anurag hold over half of the company. Amit adds,

“We launched CarDekho in 2008 and bootstrapped till 2013. Bootstrapping for the first three to five years gave us a chance to dilute less and negotiate better with investors on our own terms.”

The duo was making decent profit through the IT outsourcing business unit of Girnar Soft. “We started as an IT outsourcing company in late-2010 and were generating substantial revenue. This revenue helped us not to raise VC capital early and bootstrap CarDekho for five years,” says Amit.

CarDekho raised **\$1.5 million from Sequoia Capital** in 2013. Amit and Anurag are IIT-Delhi alumni. Amit worked for Austin-based Trilogy for over eight years while Anurag had a brief stint at Sabre Holdings before Girnar Soft.



Amit and Anurag Jain (From L to R)

CarDekho never advertised on television and Amit believes that the lack of RoI and real impact discouraged them to buy expensive ad spots on prime-time television shows. However, he recognises it as a potent medium of mass branding.

Being frugal helps businesses sail through bad weather. Despite the global economic slowdown during 2011-2012, Cardekho remained unaffected without VC backing. **“I had tried different businesses and failed miserably till our IT outsourcing unit took good shape. Failures had taught me the importance of not losing focus on unit economics and being frugal,”** says Amit, adding that he does not believe in burning resources and then monetising later.

CarDekho owns 25 per cent volume of new as well as used-car segments

In 2012-13, Cardekho made a major chunk of revenue through advertising. However, it has now shifted its lead-selling to dealers. “We are more of a transaction-focused platform and thus creating a win-win situation for dealers and Cardekho,” adds Amit. The startup focuses on dealers (in both new as well as used-car segments) who own inventory. According to the brothers' estimate, India

has about 15,000 dealers currently and over 40 per cent of them leverage their platform to drive sales.

The six-year-old company claims to enable 25 percent of the sales of organised, dealer-driven used cars. Delhi, Mumbai and Bengaluru are top three markets for Cardekho. “Demand from Tier-II and III cities have been picking up gradually. Cities like Jaipur, Indore, Rajkot and Guwahati are driving decent business for us,” says Amit.

While the used-car segment is touted to hold massive opportunity, the new-car segment contributes to 80 percent of Cardekho's business. “Used-car segment is going to be big in the coming years and we have been launching a slew of features to assist users in evaluating crucial check and balances of used four-wheelers,” says Amit.

At present, over three million used vehicles are sold and bought every year in India, but still a large fraction of the deals happen via the offline and unorganised market. **“We dominate approximately 25 per cent of the online market for used vehicles,”** adds Amit.

Rise of C2C platforms in automobile classifieds

Over the past one year, many classifieds marketplaces that focus on used cars, like Droom, Gozomo and Spinny, made their debut, and investors also showed interest in them. On whether C2C is an area of focus for Cardekho, Amit says, “The space looks exciting but still in its nascent stage. We are keeping an eye on it but do not have any plans to enter it.” Sandeep Aggarwal's Droom closed a \$2.6-million round led by Lightbox and others.

On the ZigWheels acquisition

Cardekho acquired Zigwheels in October for an undisclosed deal consisting of stocks. According to Amit, the acquisition turned out to be fruitful for the company from day one. “Zigwheels had significant traffic and by plugging it with our lead generation engine, we have maneuvered acquisition into a revenue-making proposition,” he adds.

For the brothers, **acquisition makes sense only when there is convergence of synergy and vision.** “I believe in frugality and intelligent business projection driven by data and logic. Zigwheels had various complementary propositions to drive the deal and such strategic fit can be welcomed even in the C2C space in the long term,” Amit explains.

Product or service offered by the startup

‘Dekho connection’

Girnar Soft owns over dozen domain names with the ‘dekho’ suffix and currently operates various platforms having ‘dekho’ connection, mainly Cardekho, PriceDekho, BikeDekho, TyreDekho, CollegeDekho, among others. On the reasons for having startups in different verticals with the same suffix, Amit says, “In 2010-11, I bought several domain names having 'dekho' as suffix without any serious thought. However, it turned out to be a natural edge for us as ‘dekho’ gives wide and easy brand recall across the country.”

Consolidations squeezed battle between CarDekho and Cartrade

Consolidation over the last couple of years in the automobile classifieds niche had limited competition between CarDekho and Cartrade. Consolidation helps to weed out competition and curb burn rate. Poaching eachother's customers requires massive marketing cost. Mergers and acquisitions helped both CarDekho and Cartrade to have healthy and sensible competition.

Cartrade raised \$4.3 million across two rounds and claims to have 9,000 new and used-car dealer partners.

CarDekho (Data Record)

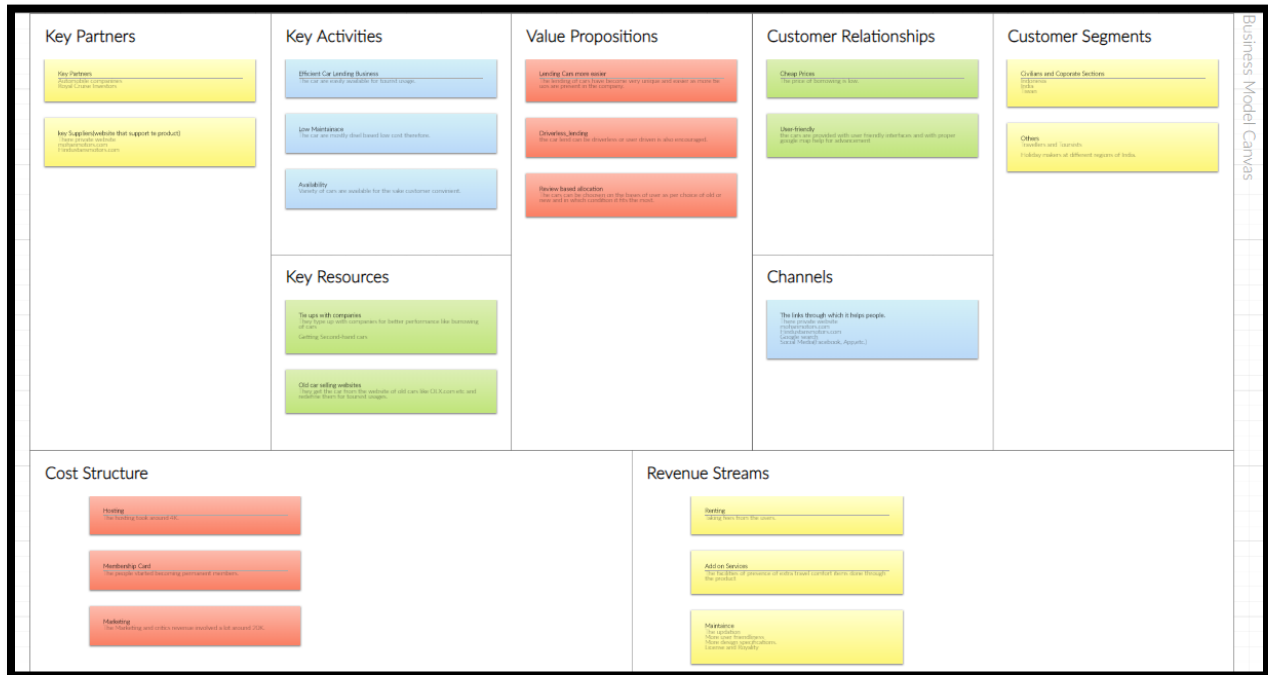
CarDekho is a Jaipur, India based technology start-up pioneering in travelling of pre-owned cars and providing a hassle free experience.

Founded: 2011

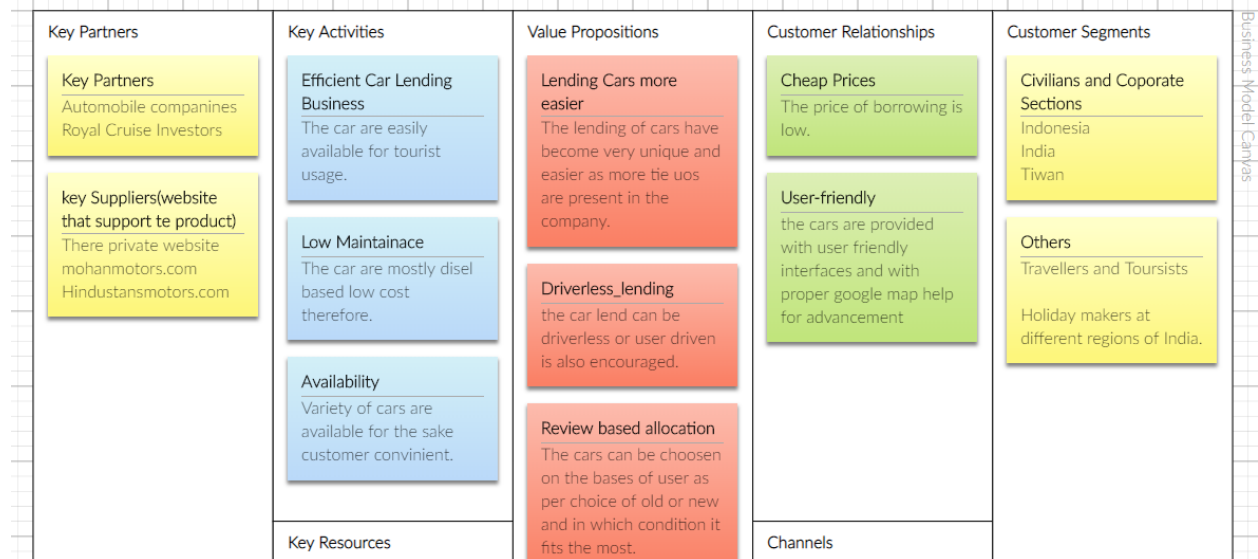
Employee: 600 – 20000

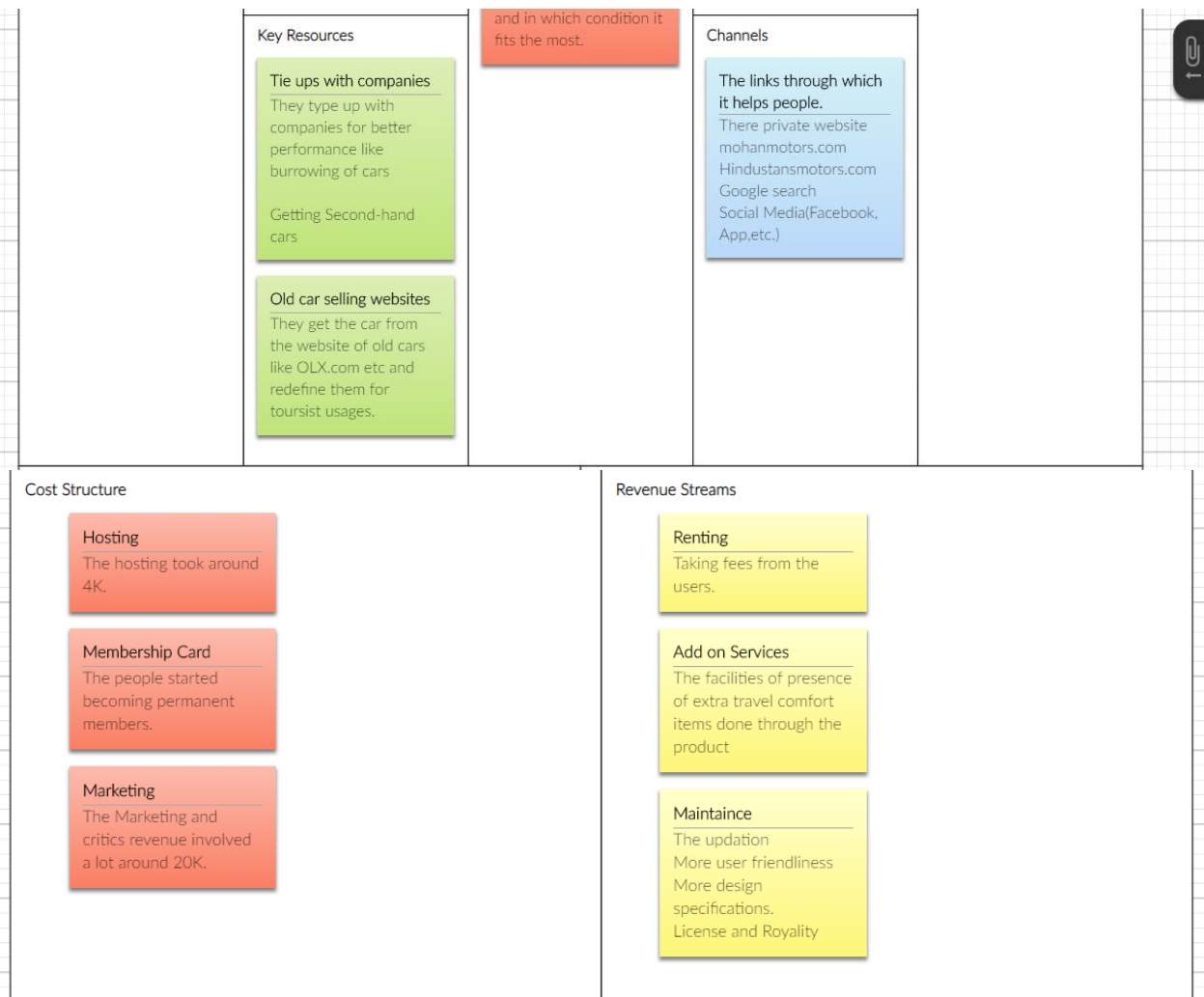
Total Income: 2.7 corers

The Business Model:



CarDekho





What led to its success?

CarDekho became the undisputed market leader of the automobile industry with a collective volume of 15 million visitors monthly. Apart from that, the acquisition also helped them evolve in the pre-owned car market which would have taken years if they had to do it by themselves.

Now, the company was playing on a different league and it was of utmost importance for them to be visible through all mediums. Thus, recently CarDekho also launched their iOS app, a month after their Android app was launched which scored a 100,000 downloads within that period. But surely that wasn't enough, so in September 2014 they also released their first TV ad and along with that co-sponsored Big Boss– Season 8 & the movie – Humpty Sharma Ki Dulhaniya premiering on Colors Channel. After this, within a blink of an eye their unique

visitors on the site doubled and their revenues increased by 3x too. Also, till date they have raised only USD 15-million from Sequoia Capital in exchange of a 20% stake in the company in November 2013. But in the near future, the company plans to raise roughly USD 4-5 million (up to Rs 30 crore) at a pre-investment valuation of 2.50-million (over Rs 1,50-crore). And, in the next 5-years they hope to cross INR 500-crores in revenues in a collection with gaadi.com. It is clearly evident, that CarDekho is stealing the show but what needs to be looked at is; how much burden of the other websites in their kitty, will CarDekho be able to handle!

My Learning from the Startup:-

The product that is made should be user point of view and not company money gain. The product mostly solves a problem that the local people are placing in the day-to-day life. The product should abide by the judiciary laws and should not destroy the social or public viewpoint of the people and society at large. The revenue model should be oriented towards the better facilities of the subscribers and should produce high quality information of the data if it is data oriented as the Car Dekho does. The uniqueness of the product should be visible to common men as at the end of the day they are going to be the customers. The budget should be low in the product making and roughly double should be sent to marketing the product and for the allowance of the better awareness of road banners, newspaper and social media platforms like Facebook, twitter, Instagram etc. The current generation is more into swapping pages through an app or phone rather than to sit in front of the television or monitor. Therefore app valuation is increasing day by day. The people are more into comfort-based living and not risk taking. In this website the feature is available to get more comfortable rides. The will of taking challenges phase is decreasing which I personally think should be encouraged to do so. These are some the few marketing and physiological skills I learnt from this Startup Story. The Success is well notified and the potential to bounce back should also be seen. Since Failure is not an opposite of success but is a part of Success.