



Impact of Covid-19 on the Indian startup ecosystem and possible ways forward

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About JumpStrat

JumpStrat is a strategy and leadership consulting firm that focuses on startups and SMEs. Our vision is to help become these organizations more Sustainable, Effective, Responsible, Valuable, Inspiring, Creative, and Enterprising. We call this the SERVICE metric.

We are moved by the high failure rate of startups, and challenges of an entrepreneur's journey in attempt to survive and succeed. Over the past few years, we have been studying startups, and the ecosystem to understand reasons of high failure and find ideas to improve the success rate. We believe to have developed the sense, mechanisms and systems to achieve that.

We position ourselves as Venture Strategists and Project Managers (VSPs). Like VCs provide capital to startups to help them scale and succeed, we, as VSPs, offer accurate strategic guidance and facilitate project management for the startups so that they can effectively leverage their ideas, competencies, and resources, including the capital. At the same time build leadership and competence in the team to ensure sustainable success.

For SMEs, our mission is to help them unlock greater value by bringing entrepreneurial approach, and corporate level organization to their businesses.

To know more about us, please visit our website (jumpstrat.in). Connect with us at info@jumpstrat.in to discuss your challenges.



Disclaimer

This report is based on an analysis of JumpStrat in-house surveys and research data, other reports, news pieces, and other common sources. It explores directional answers for possible ways forward to the highly unpredictable problem posed by the Corona crisis using the best information available to the team at the time of working on the report. The ideas given here are at a broad and general level, not meant to be specific business advice for any particular business. Taking suggestions from the report and utilizing them appropriately, or as they deem best to their case, are entirely reader's choice and responsibility and JumpStrat owns no liability, whatsoever, regarding the same.

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Report Overview

This report discusses the effects of Covid-19 situation and attempts to identify possible ways forward for entrepreneurs and other stakeholders in the startup ecosystem.

We have raised three fundamental questions and explored possible answers to these questions using inputs from JumpStrat surveys, other reports, general relevant information available from various sources.

The three questions are:

1. How long will the Covid situation last?
2. How does it impact us?
3. What should we do?

Given the objective of this report, our discussion focuses mainly on entrepreneurs and SMEs leaders, but the ideas are relevant to all stakeholders.

We have also shared thought-processes, suggestions, simple frameworks, guidelines to help readers apply these ideas themselves and gain more clarity about their own situation and find specific answers or at least start thinking in the right direction.

Before going into the discussion on these questions, we have reported some interesting findings of our surveys and interactions on the topic with various stakeholders.

While several aspects of the topic are discussed in detail, highlights of key information and insights are presented in every section, wherever applicable for a quick view.

We hope that entrepreneurs, and other startup stakeholders will find the ideas given here useful.

If you have any queries, wish to discuss the report, or your specific case issues, please send your request to info@jumpstrat.in.



Introduction

COVID-19 has hit the world in a way that no other crisis ever did before. Over the last decade or two, our scattered planet became a global village driven by a sort of passion for global economic development as defined in modern terms. This pandemic has broken the globe into pieces again, stalled the economic engine, and forced the citizens into house arrests forcing them to rethink their designs of development.

Apart from the fact that there is something, or rather a lot, that the higher forces are trying to teach us, concerns about how to repair the broken engine, what to do next, and questions about what must change fundamentally also remain.

While the current environment is highly uncertain and predicting the future is indeed tricky, this report shares some insights, thought processes, and perspectives on the situation and possible ways forward. We have arrived at these ideas after analyzing information and insights obtained through various resources, including data from JumpStrat surveys, other surveys, interactions with consumer groups and business leaders, and other reports, etc. We have shared our references either at the end of sections or within the text where appropriate.

JumpStrat Surveys & Interactions

We conducted the following three surveys over about 5~6 weeks (mid of April-2020 onwards)

- 1) JumpStrat Startup Survey April-2020. Online Survey
- 2) JumpStrat Youth Consumer Survey May-2020. Online Survey
- 3) JumpStrat Householders & Workforce Survey May-2020. Telephonic, Personal Interviews

Additionally, to capture points of view and trends, our team also participated in several sessions and interacted with various stakeholders.

While the report primarily focuses on the startup ecosystem and its stakeholders, it could be equally valuable to small and medium enterprises, larger businesses, and stakeholders in that space.

Insights from JumpStrat surveys

JumpStrat Startup Survey April-2020

We conducted a simple online survey of startups to assess how the pandemic is affecting them.

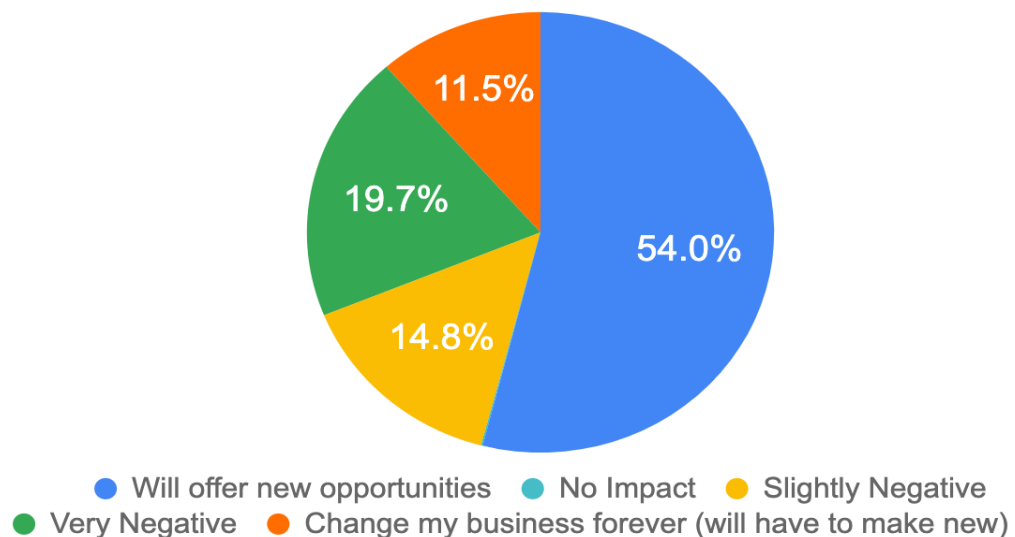
Summary of the survey data is as follows

1. 60 responses, founders(mainly), CXO's, mentors/advisors.
2. Mostly at the acceleration stage, looking for the initial scale
3. Most have market PoCs (paid/unpaid), initial customer adoption. Some have more regular customers, and revenues
4. Revenues mostly range between 0 (free PoCs and customer adoption) to a few crores.

Insights in charts

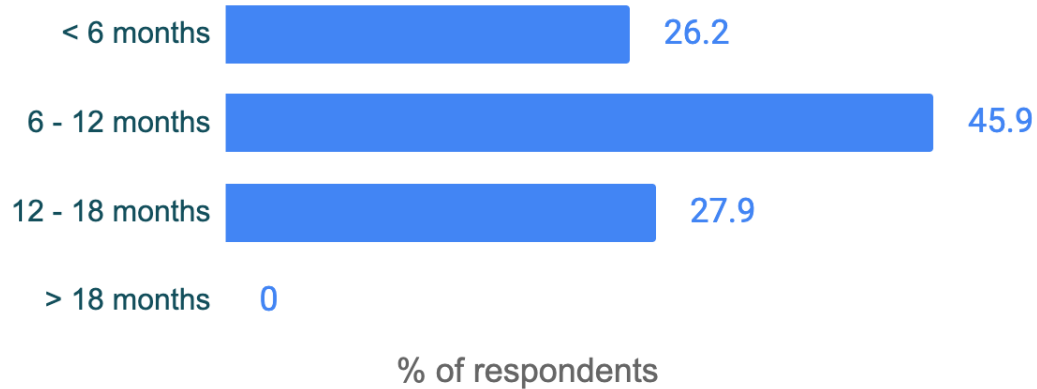
54% expect Covid to bring new opportunities

How will Covid affect my business?



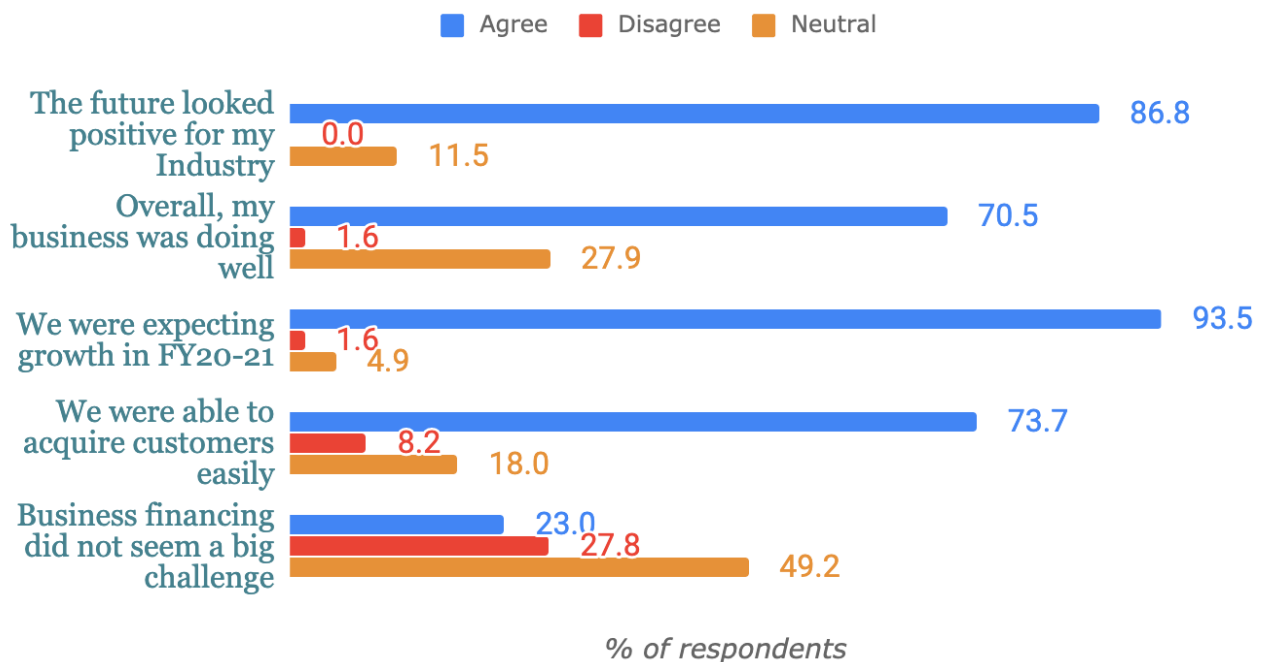
46% expected market recovery in about a year

How long will my industry/market take to recover from Covid-19?

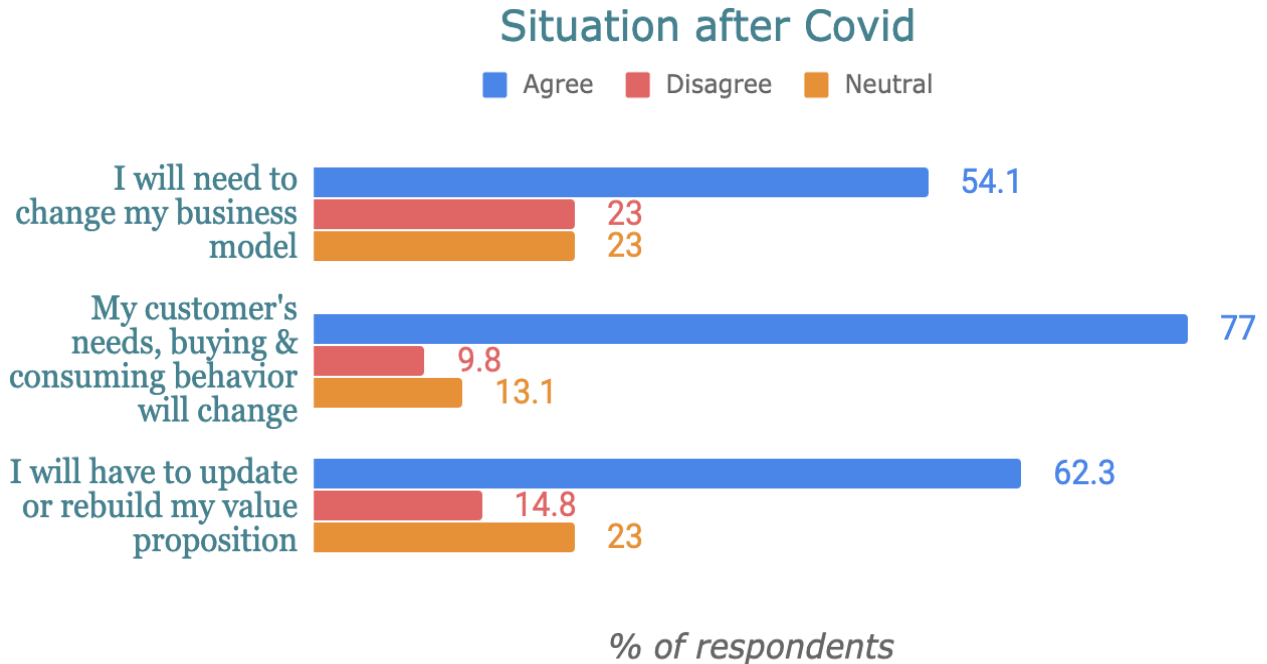


Most had a positive outlook for the future, reported business doing well, and expected to grow in this year, before Covid

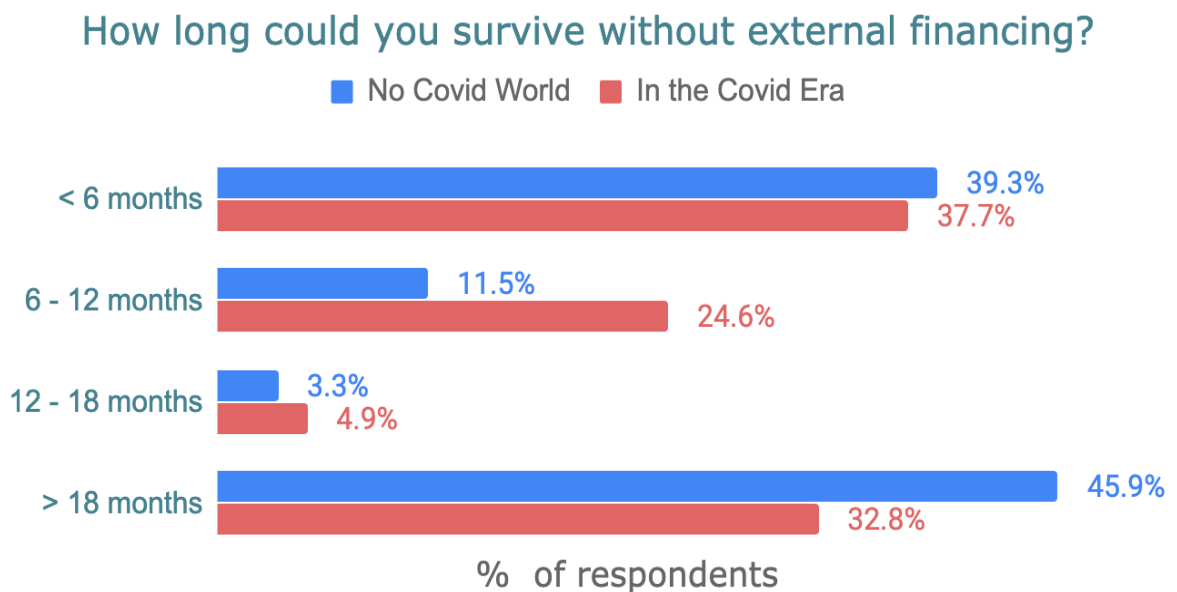
Situation before Covid



77% believe that their customer's needs will change due to Covid



6 - 12 months, and 18 months of self-sustenance plans seem most affected from a financing point of view



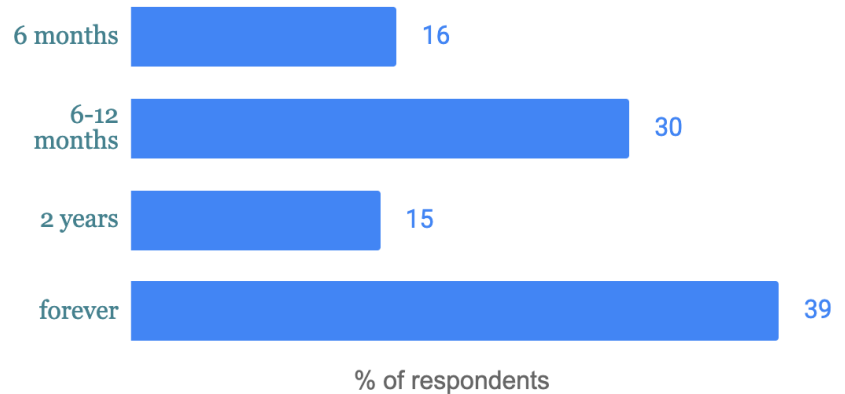
In general, the critical concerns that most startups reported were around customer acquisition and scaling.

JumpStrat Youth Survey

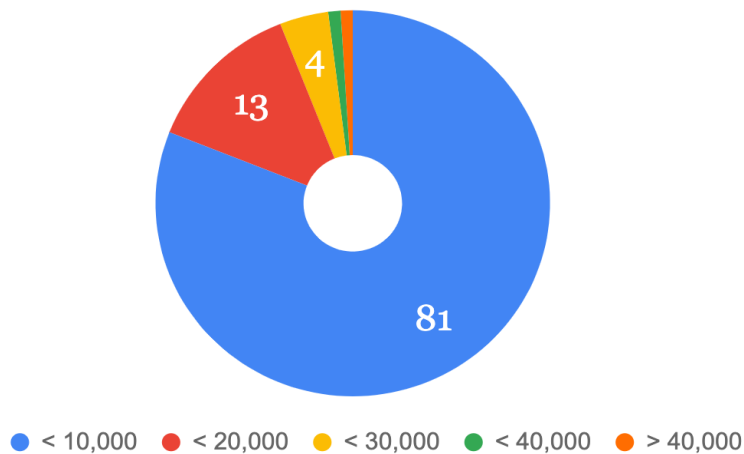
We surveyed the youth, not currently a part of the workforce, to get their perspectives on the situation. The survey covered about 100 respondents, aged 20 ~25 years, students in Bangalore, belonging to different parts of the country

How long will Corona stay with us?

54% expect Corona to last long or stay permanently

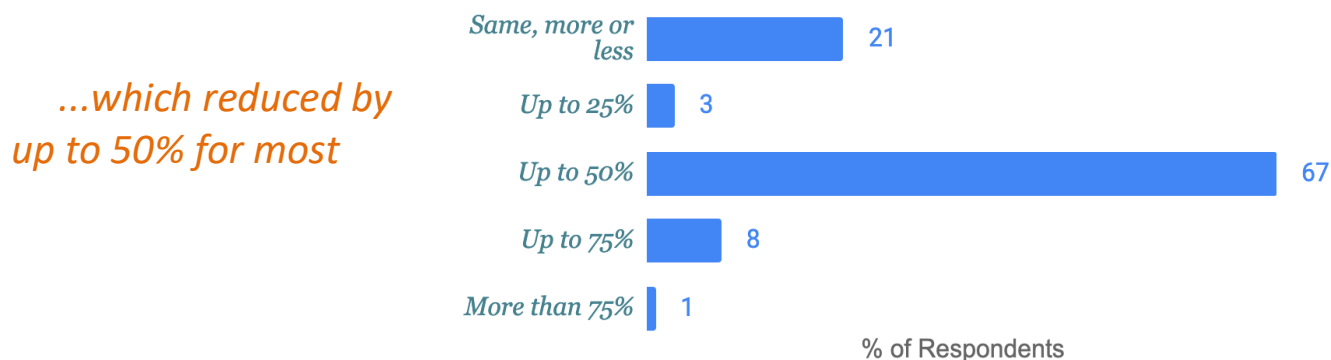


Average monthly spend before Corona (INR)



average monthly spend pre-Corona was up to INR 10K for 81%

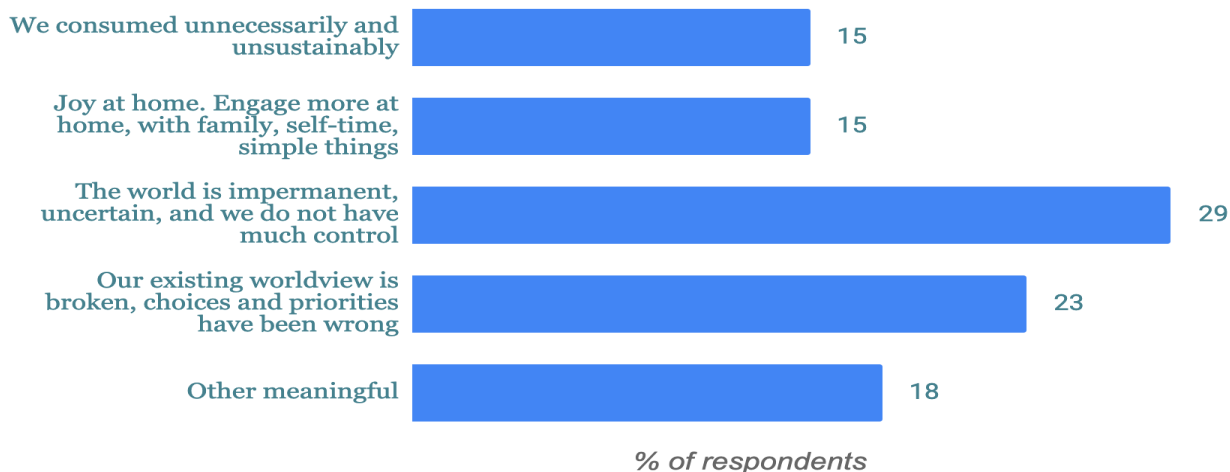
Reduction in avg monthly spend due to Corona



We found it interesting to capture their realizations and changes in their worldviews in the wake of the Corona crisis. We gathered inputs on this front through open questions. All meaningful responses directly or indirectly point at *four key realizations* (apart from 'Others'). The chart below shares insights on this point.


Realizations will affect wants and habits in the long-term

Realizations and changing world-views in Corona



JumpStrat Interviews - Householders, Students, Workforce

As a part of our research, we also interviewed about 40 individuals covering householders, students, and the workforce to get more in-depth perspectives on the situation from a personal point of view. The list includes corporate employees, entrepreneurs, and students.



Each interview was around 10~15 minutes duration. The discussion was an open one (not MCQs) on the topic of Covid and how it will affect normal life.

Key Insights

1. Most people expect Corona to have long-term effects.
2. They expect the lifestyle changes enforced by Corona to continue in the long-term even after the crisis is over as people realize the benefits of such lifestyle
3. The situation has forced many to become conscious of the 'bad' habits of excessive, unnecessary, and redundant consumption.
4. Even if shopping is online, thoughtful buying will apply.
5. The joys of home, activities, time with family, self, simpler things as a part of new lifestyle are being re-discovered
6. Quick adoption of digital/virtual life as mainstream for work, necessary shopping, education is happening.

- End of Section -

How long will Covid last?

The following information helps us to understand the Covid situation and its effects in India and the world.

Covid Situation in India

India Vis-a-Vis the World

Outside of China, the Covid outbreak started around mid of March-2020 and rose rapidly, inflicting the entire world within the following two to three weeks. As on 12-Jun-2020, WHO reported 7,355,981 confirmed Covid-19 cases, including 416,891 deaths, worldwide (<https://covid19.who.int/>).

These included, ~ 3.6 Mn cases were from the Americas, ~3 Mn from Europe + Mediterranean, and ~0.4 Mn cases from South East Asia.

By this date, the number of cases in India rose to **286,579, including almost 50% cured and 8,102 cases of deaths**. The figures were around ~ 150K cases, including about 4,500 deaths on 28-May-2020.

Population density (number of humans per square kilometer) comparisons of some of the countries/regions among the highest confirmed cases are as follows

USA: 35/km² (~ 2 Mn cases); Brazil: 25/km² (~ 770K cases); Russia: 9/km² (~500K cases); UK: 270/km² (~ 290 K cases).


The population density of **India is 420 persons/km² with ~ 290K cases** of Covid (12-Jun-2020, WHO)

[Source of Covid case data: World Health Organization (WHO) - covid19.who.int]

[Source of Population data: worldpopulationreview.com]

India's **population density is about 12 times that of the USA, 17 times of Brazil, and 1.8 times UK**). A relatively lower number of cases in India, initially, in comparison to other countries, could be attributed to an effective national lockdown imposed by the government.

A quicker rise in the number of cases in India observed over the previous three weeks could be an effect of unlocking initiated from the 1st of Jun (commonly being called unlocking phase 1), some relaxation earlier, migrant workers movement, a week or two before that.



It shows that Unlocking is not going to be that easy and may derail the nation further. Hence, a gradual, controlled approach with continued mass awareness campaigns for best practices would be required.

Covid Situation Within India

As on 12-Jun-2020, the maximum number of confirmed cases are in:

Maharashtra (~ 98K), Tamil Nadu (~39K), Delhi (~35K), Gujarat (~22K)

[Source of Covid data in states: <https://www.mygov.in/covid-19>; Gol]


As per a notification issued by the Ministry/Department of Health and Family Welfare based (*DO No. Z. 28015/19/2020-EMR*), they had marked Covid hotspots as Red, Orange, and Green Zones based on various field inputs. Initially, these were marked using essential criteria of cumulative cases and doubling rate, and later (at the time of this notification) using more detailed rules including - i) mapping of cases & contacts, ii) geographical dispersion of cases and contacts, iii) area with well-demarcated perimeter, and iv) enforceability.

For example, the first criterion 'mapping of cases & contacts,' considers factors like the number of contacts of a positive patient residing in the area, etc. In Karnataka, Red Zone is an area with one positive case reported in the last 14 days (Source: <https://www.karnataka.com/govt/coronavirus-hotspot-in-karnataka/>)

The MoHFW/DoHFW notification mentioned above indicates the following situation of hotspots for the week after the 3rd of May was:

1. Red Zone (130 Districts),
2. Orange Zone (284 Districts),
3. Green Zone (319 Districts).

On the whole, until the cases continue to rise, and the central economic districts remain in Red or Orange Zones, we cannot expect the nature and pace of economic activity to revert to its previous normal. While the situation persists, the need for social distancing will remain, and it is less likely that people will return to their earlier lifestyles and routines.



At the same time, a prolonged situation gives rise to the need for changing the nature of activities that may create new platforms and models of transactions.

Thus, we need to understand not only how long the Covid situation could last but also how it would evolve.


How long is Covid-19 going to stay?

While this is a big question and a lot of uncertainty prevails around it, let us get a sense of the insights and opinions shared by experts in the field.

For our purpose, we also need to understand how long the aftereffects of Covid-19 stay.

Here below is a summary of the crucial factors that one must consider for understanding the evolution of the pandemic. You can find below a list of the critical resources that we referred to for this section. These resources (and many others) offer detailed information from medical and other perspectives. We have captured a few necessary insights useful for our purpose.

1. At the moment, not enough clarity exists among the experts to make any definitive predictions on when or how the pandemic may end.
2. There are no specific vaccines or treatments for the disease at the moment.
3. Preventive measures including masks, hygiene, social distancing, maintaining general good health and immunity levels, etc. are the only & best way to fight the pandemic for now.
4. Voluntary, social, and regulatory 'lockdowns' are essential to arrest the spread of the outbreak.
5. Two ways through which such a pandemic could end are:
 - a. A significant size of the population develops 'lasting' immunity to the virus
 - b. An effective vaccine is made available of There is no specific vaccine or treatment for Covid-19 yet.
6. Clinical trials are going on around the world to develop vaccines & treatments. Still, in general, a successful outcome is not expected any time soon, possibly, not before 18 months, even longer.
7. More optimistic estimates of a finding a vaccine much earlier, 6 ~ 12 months also exist, but the question of their efficacy, and how quickly could they be administered to a sizeable population remain.

- 
8. Recurrence of the disease is also a possibility, even once the current pandemic is subdued as the virus will continue to exist and inflict in the absence of a vaccine or long-term natural immunity.
 9. Living with Coronavirus for a long time is also a possibility, and the frequency of recurrence and outbreaks would depend on the duration for which immunity lasts.
 10. In case #9 occurs, permanent changes in lifestyles and routines of humans (for preventive measures) will have to be implemented through massive and strict campaigns to avoid the need for total lockdowns.

Covid-19 may stay with us for 18 ~ 24 months with possibilities of recurrence

The points above indicate that at the moment, there are no clear solutions to end the disease. Hence a likely scenario seems that the Covid pandemic may last for 18 ~ 24 months with possibilities of its recurrence (endemic situation). As such, the world may need to live with the virus through necessary measures. Other scenarios, more optimistic (faster availability of effective vaccines), or worse, are also there, but let us go further with our analysis with the likely scenario mentioned above.

- End of Section -



Resources for the above sub-section:

1. Articles, information, and news from various sections of the following sources

i) Indian Council of Medical Research (icmr.gov.in);

ii) World Health Organization;

iii) medicalnewstoday.com;

iv) scientificamerican.com;

v) vox.com/science-and-health;

2. Report "Covid-19: The CIDRAP Viewpoint, the 30th of April, 2020

CIDRAP: Center for Infectious Disease Research and Policy, University of Minnesota

How long would the effects stay? How will the situation evolve?

Considering the scenario that the Covid pandemic may not end anytime soon, we can say that its effects on the world will also be long-lasting, and paradigmatic. Accordingly, we can divide the *evolution of Covid's situation (EoCS)* into three phases.

Three Phases of Evolution of Covid Situation (EOCS)

Phase 0: Current Situation, pinned down by Corona

Phase-0 is the period when the Corona infections curve remains upwards, and strict lockdown (imposed & voluntary) is under effect. The last few months until now and further till the Covid curve flattens are Phase-0.

Phase 1: Teething with Corona

This phase begins with the Unlocking while the fight against Corona is still going on. Unlocking will gradually happen during this phase and be nearly complete by the end of the period. The phase will continue until the number of cases starts to decline rapidly and has reduced significantly. The society will be like a new/reborn baby in the new Corona world. The baby will begin learning to live in the Corona world. Teething problems will be there. Unlocking may cause a resurgence of the pandemic or even worsening the situation.

Indicators:

Unlocking starts. The numbers of cases begin to decline. Red Zones reduce.

Environment:

No vaccine, the threat of Covid remains. Not all areas are free of Covid. Government-imposed 'lockdowns' are relaxed but under control and observation depending on the location, etc. Social distancing is still 'enforced' more or less, most activities involving physical contact, mass gatherings, etc. are still not agreeable.

Timeline:

Given the existing trends, this phase may last 3 to 6 months. Changes in factors like the ability to implement control of lockdown/ unlock, resurgence due to Unlocking, social discipline, response to manage sudden changes due to Unlocking, policy choices at each stage (safety vs. economy, etc.), and so on, will affect the timeline.



Phase 2: Living with Corona

This phase starts after phase-1 and lasts until proven and effective solutions against Covid emerge.

Indicators:

Covid is mostly under control; only a few Covid cases remain if at all. Red Zones, if they exist, are very small. Most of the zones are Green. Lockdown is open completely, more or less. Economic activity will start increasing, more so, if business and other stakeholders start developing and offering solutions that fit the needs.

Environment:

Corona remains a notable threat, the risk of spread or recurrence remains, but people have learned to live with it carefully. Self-driven social distancing, masks, cautious behavior is the norm driven by awareness campaigns, social and system pressure.

Timeline:

Phase -2, Living with Corona, *could last for 12 ~ 18 months*, depending on the availability of Vaccines/treatments other proven solutions against Corona.

Phase 3: Beyond Corona

This phase starts once successful vaccination, immunity, and treatments against Corona are available.

Indicators:

Vaccine or natural human immunity exists against the virus. Covid-19 is no longer a significant threat. Economic activity will pick up further.

Environment:

Based on the scenario that we are considering, prolonged phase 1 and phase 2 may substantially change the way we interact with the world. The normal could be a new one, with its accepted standards of lifestyle, practices, habits, and new (probably better) sense of right and wrongs concerning the world.

Businesses that survive until phase 3 and the new ones that emerge during the period in between will be those that have adjusted to the new environment by finding value propositions, business & operational models, and best practices that fit the need of the era.

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Timeline:

This phase may start after 18 ~ 24 months from Phase-0, and last until the next big change.

Considering the pertinent information available currently from various sources a likely scenario seems that Covid-19 is going to stay a threat for 18 months or more, even if we can subdue it to a large extent through rigorous methods and tight control (which itself is a factor).

The situation will evolve through three phases - 1) Teething with Corona, about 3 ~6 months, 2) Living with Corona, about 12 ~ 15 months, 3) Beyond Corona, once effective vaccines or immunity has been developed.

From the business point of view, it means that the economic activity may take about 18~24 months to go to a 'normal' level. It will start but remain slow in Phase 1, pick-up some pace through Phase 2, and will have the environment to run freely only in Phase 3.

Further, it is more important to understand that the nature of the economic activity itself is likely to change through these phases.

All said, there are many other factors at play, such as Govt packages, political will, geopolitical changes, social leadership, and so on, that will shape the evolution of the economy through these phases, apart from the ones directly related to Covid-19.

- End of Section -

How will Covid-19 impact us?

The 'us' here refers to different target entities at various levels. It could refer to the totality or the macro, an ecosystem, or individual businesses.

Within the scope of this report, we explore the question for the Indian Startups and their ecosystem.

Let us first look at the highlights of top-level effects observed and predicted by various surveys and reports. Then we shall analyze the topic with a more fundamental approach.

Effects on Business & Economy

Based on the likely scenario, we can predict some effects on economic and social activities.

Highlights of Covid Effects

On the demand side:

1. Activities based on physical contact have significantly reduced. They will remain low in Phase 1, increase a bit in Phase 2, but are still likely to remain much below the previous normal.
2. Activities that occur in public spaces - offices, malls, marketplaces, restaurants, etc. that had mostly ceased during the lockdown. These will remain low during Phase-1, will pick up during Phase 2 but not to the normal levels.
3. Online/ digital commerce is gaining traction and will become an essential aspect of business
4. Conscious and thoughtful consumption, with sensitivity to environment and rights/wrongs, will replace non-essential, impulsive/compulsive & destructive consumption
5. Paying capacity and overall spending will be much less due to potential job losses, losses in stock markets (whether direct or through retailer options such as mutual funds, etc.).
6. The tendency to conserve resources and habits of thoughtful consumption will arise.
7. The ongoing tides of significant change will give rise to new opportunities.
8. Containment zones, which now seem to cover many economic centers, will virtually reduce the geography accessible for regular business.

On the business side:

1. Startups have reported very little survival cash. A vast majority can go six months or less without external help.
2. Normal business flow and plans are hanging in the balance. Potential deals with customers, contracts with investors, partners, etc. have been postponed indefinitely for most.
3. Scaling plans are either on hold or do not make sense in the current situation.
4. Acquiring customers has become much more challenging
5. Many are questioning their value proposition and business models
6. Uncertainties of the times ahead will tend to make investors and lenders more cautious and stringent about funding & lending decisions.
7. It will be challenging to maintain a healthy level of the workforce due to cash issues. Operations that depend more on the ground force/migrant workers will be difficult to sustain.
8. Startups that are adaptive enough to survive until Phase 2 will be the ones to reap benefits in the long-term
9. The availability of migrant workers will remain impacted in Phase-1 and even in Phase-2 to a certain extent. Long distant migrant workers may start to explore more local or nearby options of work and employment, and new opportunities and economic order that arises may provide that.

Specific effects being observed in the market

Here are some specific cases that show how Covid-19 has affected the business world.

Many Unicorns are likely to go bankrupt

Softbank Vision Fund has funded about 88 companies/startups that include names like WeWork, Oyo, Uber, Ola, Didi (Taxi in China).

The company indicated that 15 unicorns of its Vision Fund portfolio might go bankrupt.

Softbank "will take a cautious approach in its future and current investments," going forward as expressed by its CEO.

[Source: <https://www.cnbctv18.com/business/15-unicorns-may-go-bankrupt-due-to-covid-19-crisis-says-softbank-5950151.htm>]

Massive layoffs across mature startups

1. Ola is laying off 1400 staff in rides, financial services, and food business
2. Swiggy is laying off 1100 employees,
3. Zomato to lay off about 520 employees and cut pays by 50% for the rest of the organization
4. CarDekho to lay off about 200 employees and reduce pays by more than 20%
5. Lendingkart has laid off about 30% of its workforce

There are many other names to the list like Oyo, Uber, Curefit, Paytm, BookmyShow, Makemytrip, and so on. The phenomenon is global.


Layoffs.fyi tracks layoffs across tech startups worldwide to the extent that they have access to the data. As in the first week of June-2020, their tracker indicated about 66,000 layoffs from 490 startups since 11-March-2020.

[Sources: <http://layoffs.fyi/tracker/>; news pieces from <https://economictimes.indiatimes.com/>]

Impact on Investor Sentiments and funding options

Here below are a few highlights from a survey report released by 100X. VC (<https://www.100x.vc/>) around mid of April-2020 (India Sentiment Outlook Survey). You can access the full report on their website.

1. > 70% of investors are seeking lower valuations from founders
2. > 90 % of investors will delay investments in early-stage startups, 7% will not invest at all
3. About 86% of investors will consider industries that are positively impacted by the crisis
4. On the whole, about 65% of investors will change their investment strategies, 25% will change it significantly.
5. 43% of investors have advised startups to delay their fundraising plans, 31% suggest no change at all. 17% have suggested aggressive fundraising efforts.



On the whole, a general review of the environment, using common sources, and logic suggests that the investors....:

1. ...are not closed for investment but, looking for the right opportunities to invest.
2. ...are much more cautious than before. It means thorough strategic evaluations of startups before investing.
3. ...will focus more on startups that help to solve problems arising due to Covid(essential and EdTech, healthcare, digital commerce, digitization, etc.), and less on those depending on physical contacts or non-essential ones.
4. ...will expect a lower cost of equity and a more conservative valuation from Startups
5. ...may assume more control over the business functioning of the startups - directly or through external advisors
6. For startups where the situation is uncertain (not clear either side), the investors may prefer to wait and watch


Opportunities as effects of Covid-19

The rise of a great startup is, in its ideal sense, a response to a crucial problem that affects a significant number of people. Corona perfectly fits that bill. While the disease itself is a problem, it has also uniquely spawned a variety of problems for society. Thus, while the medical experts and pharma companies are trying to find cures, and the governments are working to manage the crisis at their level, entrepreneurs also have a vast net of problems to solve for the world. There is no doubt that many astute entrepreneurs in different parts of India and the world are thinking of addressing various issues thrown up by Corona.

All existing startups must orient themselves towards this goal of sustaining themselves and creating value for the world.

Entrepreneurs must also keep in mind the phases of evolution of Covid-19 (see the previous section) and realize that the nature of problems and opportunities will also evolve with the phases. It means that solutions must also address the situation in Phase-3. Otherwise, they will not have a long life.

Highlights of high-level opportunities arising due to Covid-19 are as follows:

- 
1. Increase of digitalization in general, greater penetration among MSMEs, and other companies that are yet too 'physical.'
 2. Digital commerce and social activities.
 3. Fields like Healthcare, EdTech, Sustainability, CyberSecurity, InsuranceTech.
 4. Opportunities related to remote/online work technologies, work-from-home options, freelance/remote workforce utilization.
 5. Social sectors and essential services for the BoP.

Other/Indirect Opportunities from Covid-19

Three major indirect sources of opportunities for the Indian Startup Ecosystem, caused due to Covid-19, are:

1. Geopolitical Scenario
2. The Atmanirbhar Spirit
3. Other government initiatives

Geopolitical Scenario

Covid-19 has also triggered a lot of geopolitical changes. The political and economic world order is changing. There is growing tension between China and many other nations (including the US, Australia, EU, India) on the issue of Covid and its fallout.

In such a case, these nations that have traditionally invested in China may view India as their strategic partner in the evolving world order. The reports of US president inviting PM Modi to G7 (the US, the UK, France, Germany, Italy, Japan, Canada) summit, and the UK pushing for the idea of D10, ten democratic nations, G7 + India, South Korea, Australia to develop 5G technology indicate towards the geopolitical changes.

Although it is early to predict too much on the front at this stage, there is no doubt that these changes will bring more opportunities for Indian startups, possibly in Phase-2 of the Covid situation evolution.

The Atmanirbhar Spirit

The government of India recently announced a package of INR 20 Lakh Crore as a part of Atma Nirbhar Bharat Abhiyan to help strengthen the Indian economy. While it is not in the



scope of this report to discuss the specific details of the package, the underlying idea is vital to note for us.

The objective of this scheme is to develop self-reliance within the Indian economy so that it is more self-sustaining. Make in India is central to the idea.

Extending this idea, owing to the geopolitical issues and the Covid impact on the society, the Atmanirbhar spirit may soar and take many Indian consumers in its fold. At the same time, it will create systematic platforms of opportunities for Indian Startups.

During this period, our entrepreneurs should also adopt the spirit of Atmanirbhar by trying to build self-reliance and becoming stronger by themselves through better strategies, planning, innovation, and problem-solving mindset instead of relying too much on others.

Other Government Initiatives

The GoI has been engaging with all stakeholders to fight various national issues, including the Covid-19. We expect them to initiate programs that provide impetus to developing new opportunities for the startup ecosystem as well.

For example, the GoI recently launched an "Innovation Challenge" to develop an India Video Conferencing Solution with prize money of INR 1 Cr.


[Source: <https://secure.mygov.in/task/innovation-challenge-development-video-conferencing-solution/>]

The government of India has also created an Invest India Business Immunity Platform through which it is bringing together stakeholders and inviting innovative solutions to help combat the Covid-19 situation.

[Source: <https://www.investindia.gov.in/bip>]

There are many other such initiatives and facilities that the government is consolidating in collaboration with various startup stakeholders to overcome challenges posed by Covid-19 (and other national issues). More information on <https://www.startupindia.gov.in>

Entrepreneurs can expect more such initiatives in the future. Thoughtful and active entrepreneurs can leverage them to create value.



On the whole, there is no doubt that these are very challenging times for entrepreneurs. However, this situation is also a potential womb for many new opportunities that will be born in the coming months, starting around the beginning of phase 2. Many such opportunities will stay for the long-term as sustainable requirements. At the same time, there are ways possible for many startups to survive and wade through the Covid 19 crisis.

Fundamental Analysis of Pandemic's Impact on Your Business

While the high-level ramifications of Covid-19, both visible and potential, are being revealed through various surveys and reports, startups also need to analyze their actual situation at a more fundamental level since this is where the roots of change exist. Here below, we have shared a basic framework that can help entrepreneurs to go beneath the surface and draw valuable insights for further planning and action and planning.


The most common challenges that the startups are reporting now and anticipating in the coming months are around customer acquisition, working capital, scaling, and funding. Although in the current situation, almost every aspect of the business is under stress. Practically, the challenges mentioned are linked to each other in a loop since businesses need cash to drive BD/Marketing/Sales and cover for Capex and Opex requirements. Cash comes from sales and profits, and through funding - equity or debt. Funding is made available to businesses that show the potential for returns, which depends on customer acquisition and sales. So at the moment, all these things seemed to be locked in a four-way standoff.

Analyze two things

Ultimately, everything boils down to the ability of the business to generate free cash flow from its activities. Even if it is not realizing value at the time of assessment but shows enough promise of that ability, cash in the form of external funding is made available to break that standoff.

So, at the foundational level, startups can understand their situation through the phases of Covid by analyzing two things:

- 1) Effects on the demand of their value proposition
- 2) Effects on their ability to conduct business activities and execute business plans



Elaborate frameworks and algorithms exist to analyze either of the two by utilizing many specific factors relevant to the geography, industry, macro-environment, etc. However, Covid has overcast everything creating a lot of uncertainties around all conventional factors and effacing the past normal. Therefore, we need to analyze the basics now. We have shared a simple, fundamental-level framework here below. Entrepreneurs can utilize it to understand the root-level effects.

Note that mapping your analysis to the evolution of the phase will be more useful.

The basic framework

Analyzing the effects on demand

Startups (or any business) can assess the effects on demand by considering the following four fundamental factors. The market could be a B2B type or B2C type.

1. Constraints

- a. Constraints - social, financial, natural, etc. - control demands.
- b. For example, physical distancing is a broad constraint for now, which is impacting demand for both B2C and B2B types.
- c. Identify critical constraints that afflict your customers.

2. Worldview & Wisdom

- a. Worldview & wisdom form the idea of right and wrong at an overall level.
- b. It influences the next two factors, so trace the linkages accordingly.
- c. For example, wisdom around sustainability, environment, humanitarian efforts may arise
- d. Spot relevant potential changes in the worldviews and how it will impact the consumption of your offerings.
- e. Don't only think of a very high-level. Also, think of what worldviews and wisdom about daily life and routines, and their subfactors may change your demand

3. Sensitivities & Wants

- a. This one is about what people or businesses want and what their sensitivities are. They are driven by worldview and wisdom at a broader level.


- b. For example, people have become sensitive towards hand hygiene and against personal touch. Similarly, they may become sensitive towards some features, some elements of value in a product or service.
 - c. Determine relevant factors specific to your business
4. Habits
- a. Analyze potential changes in the habits of your buyers whether businesses or individuals
 - b. Practices for organizational (business) buyers would include their specifications, decision rules, patterns of buying, etc.

We have only highlighted a few sub-factors to trigger the thought process. There may be other factors, some more pertinent to some businesses. Entrepreneurs should brainstorm to find the most important ones for their startups.

Analyzing the ability to conduct business

A complete business value chain will also be useful to discover issues. Here we suggest five broad factors to consider. Startups can assess how the Covid affects each of these through the phases.

1. Supply Chain
 - a. Identify constraints that can disrupt your supply chain on the input side (incoming materials)
 - b. Analyze the same on the distribution/delivery side.
 - c. Consider geographies, containment zones, logistics, and movement restrictions, including global sides if your supply chain is global, etc.
2. Production
 - a. Analyze your ability to run manufacturing/production activities during the three phases of Covid.
 - b. Consider working capital and other factors.
 - c. Consider the availability of workforce, safety constraints, etc.
3. Product development
 - a. Assess your ability to continue or initiate critical product development activities

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- b. Consider talent retention, workforce, possibilities of remote work
 - 4. Customer Connect
 - a. How will customer connect activities change for you?
 - b. Do you need to connect with your customers physically?
 - c. Do you have systems and means to connect digitally?
 - d. Will the customer be willing to spend time on your offerings? Are these offerings still valuable for them, or have lowered in priority and value?
 - 5. Human Resource
 - a. How does Covid affect your ability to retain and deploy vital human resource to conduct business activities
 - b. Can you somehow retain valuable talent until Phase-2, at least?

We are emphasizing this point repeatedly that entrepreneurs must plan for Phase-1 to Phase-3, and hence must map their situations and strategies with the phases of EOCs. If you only do it for the current period/ Phase-0, it is not going to be very useful. Everything is constrained severely in Phase-0. Thus, all analyses and planning must consider the entire Covid era, and that too phase-wise since the dynamics will change.

- End of Section -

What should we do in the Covid era?

Having acquired some sense of the possible duration of the Covid situation and how it impacts the startup ecosystem, the third question that we attempt to answer is what entrepreneurs can do about the situation.

First of all, it is crucial to understand that each startup must find specific solutions to that problem for themselves, instead of copy-pasting 'values, thumb rules, or formulas' as the situation would be unique to each one of them.

Hence, to facilitate that thought process for you, we have shared some guidelines and simple frameworks here, and have suggested approach and directions.


Ideas for forward movement

Think Strategy

We believe that the most important thing that we need is to shake-up and wake-up entrepreneurs on the front of strategy, which is too important to ignore. Unfortunately, it has been ignored conventionally by most entrepreneurs and is, possibly, a significant reason for the high failure rate among startups even before Corona. There are many reasons cited for startup failures by various experts and research reports (e.g., refer reports by [CB Insights](#)). As per our assessment, most of the reasons cited are, directly or indirectly, cases of poor strategic choices indicating a lack of proper strategic planning even at a simpler level. Yet many entrepreneurs choose to risk so much (not just money on their part), and investors' money as well by ignoring the aspect of strategy.

The severity of the current situation is mandating us to think, plan, and strategize. However, suspecting that this 'Sanskar' or tendency to not-value strategy is deeply rooted in the minds of many, we choose to emphasize a bit more on this point.

In our experience, in the nether world (we are referring to the pre-Corona world here), most entrepreneurs have been too opposed to the idea of strategy and planning. Some of them falsely believe that they have applied enough of it or correctly. Some just have a mental block; some think they don't need it, while there are those as well who simply hate the idea of



strategy. We have realized this through numerous interactions with different kinds of startups over the past several years and other means of 'research' that we have done on this topic.

We have come across many such cases where we felt that even a little strategic thinking and a more thoughtful approach could greatly help the entrepreneur. However, the appetite for strategic planning was mostly lacking. We have very often heard statements like "we don't need strategy, we need more business;" "we need to focus on getting customers at the moment, we'll think about Strategy later;" or "we are interested in funding and not strategy, for now"; or "we are entrepreneurial in our approach (suggesting that they don't value strategic thinking & planning, and prefer to move by trials-and-errors)." In such a case, 'trials-and-errors' is the strategy.

This last statement is an implicit reality for many startups, even if they don't recognize it.


As we have seen in the previous section, investors would be more cautious, thorough, and strategic in their assessments and investment choices. Startups that wish to raise funds in the post-Covid era will have to prove the robustness of their ventures in the longer-term. Standard traction metrics (site hits, downloads, general interests, media stories, customer presentations made, etc.) alone may not cut the chase. Instead, more grounded metrics, compelling business logic, solid business plans that convincingly answer strategic concerns, and insightful proposals would be required.

Thus, the most important thing that we would like to suggest to entrepreneurs is to realize the criticality of strategy, engage in rigorous strategic planning, make choices and drive actions based on robust strategic plans, and develop strategic thinking abilities.

Plan phase-wise

As the Covid situation is expected to last long and has even longer-term effects on the world, it is useful and practical to divide it into phases instead of tackling it as a single monolithic issue of very long duration.

We have defined the Phases of Evolution of Covid Situation (EoCS) in the previous section for the same purpose.



So, entrepreneurs can utilize this framework and fill in specific details concerning their startups, identifying what each phase would look like for them.

All planning and ideas shared ahead would work best if applied against a phase map for your startup.

Set/Reset Goals

Any endeavor should start with the question - "what are we trying to achieve"? It is also the first step in the strategic planning exercise.

We must raise the same question to answer what to do in the Covid era. In other words, the first thing to do is to set goals for yourselves.

You may have defined some quarterly or annual goals earlier. Either way, whether you are impacted adversely or favorably by the Corona crisis, you need to set or reset your goals now since a lot is going to change (constraints, worldviews, sensitivities, habits, ability to do business).


This *goal-setting activity should not merely be a revision of numbers* simply because the market has changed. This change is not a simple, short-term market demand kind. Instead, the entire fundamentals and dynamics are prone to re-form. Hence, you must take a few steps further back, maybe, up to the level of a broader vision and approach the question of 'what are you trying to achieve' over the long-term.

The goals set should be validated using logic, business frameworks, data, and insights.

Broadly, startups should try to achieve the following and set specific goals accordingly.

1. Survive during Phase-1 of EOCS

- a. Find ideas and means to go up to Phase-2.
- b. Think, strategize, and plan for the long-term – from now up to Phase-3. Don't waste precious time in 'wait and watch.' Don't think short-term again.
- c. Do the groundwork in phase-1 to build phase-2, and plan to make phase-2 a platform for phase-3.
- d. Keep connected with your customers, prospects, employees, investors, facilitators.

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- e. Seek advice, help, and support. Don't try to lift the mountain by yourself, or you may die alone.
2. Strive in Phase-2
 - a. Move to enhance and mobilize your efforts and resources based on the ground prepared in Phase-1.
 - b. Build for Phase-3
 3. Thrive in Phase-3 of EOCs.
 - a. Leverage the work done in previous phases to establish yourself
 - b. Unleash the full potential

Entrepreneurs need to identify the right strategies and make definitive plans to achieve this or better situation as per their goals.

Specifics depend on individual cases. For example, some startups may find enough opportunities earlier. However, the trend of movement should remain the same. That is, their strategic plans should enable them to create long-term value instead of the opportunistic value that briefly thrives in Phase-1 or 2 but starts deteriorating in Phase-3.

Assess your real situation

The overall, widespread effects being observed or predicted are mostly around low demand, difficult customer acquisition, working capital issues, funding blockage. However, do not get overwhelmed by these things and assume that the same would apply to you as it is. In Phase-0, that is, during a complete lockdown period, business activities have significantly reduced, which is obvious. But that may not mean that the same effects would apply to your business in phases 1,2, and 3. Therefore assess your specific case and map your situation along with Phase 1, 2, and 3 based on the structural framework of the Phases of EoCS defined in the earlier section.

Entrepreneurs must assess their specific situation thoroughly and brutally based on data and logic. This is not the right time to be emotional, biased, or rigid about one's ideas and beliefs. Take help from well-wishers, friends, colleagues, and mentors (if you have) to get more neutral inputs.



Some of the things that a startup can evaluate are:

1. Resource and Competences

- a. Understand your core competencies and strengths that can form the basis of new plans.
- b. Identify every piece of resource, support, help, and ideas that you can leverage

2. On what fronts and how exactly are you affected, or what challenges you might face going forward. A simple root-cause analysis using the '5 Why's' approach can help identify many factors.

For example, if you think that customer acquisition will become difficult, ask why will it become difficult?. Whatever logical or actual reasons you find, ask next why on each of those and so on.

3. Spot critical gaps and weaknesses in your enterprise that may make it difficult to deal with the current situation.

An in-depth assessment of your situation will help you in making better decisions, identifying accurate solutions, drawing more effective plans for the post-Covid era.


Break the problem into smaller pieces

Break the Covid problem into smaller and smaller pieces to make it handy. Once you do that, you will realize that not everything is in a bad situation. You will be able to segregate problem pieces themselves, into red, orange, green. That is, identify those that are real troublemakers and challenging to solve, while others not so bad.

Such an exercise will not only boost your morale but also enable you to focus efforts on the right areas. In case you find that most pieces fall in red zones, that still gives you a useful indication about looking for newer opportunities.

Note that you should take the problem of tackling Phase-1, Phase-2, and Phase-3, and break down the problem further into smaller handy one. Dividing the prolonged crisis into phases is itself an act of breaking it down.

Make yourself relevant to the new world



The most valued startups would be those who are most relevant to the current situation and through the various phases.

A venture that fills in critical gaps and plays a significant role in solving issues for its customers and other stakeholders in the new situation (in respective phases) is much more likely to survive now and thrive at the right time.

Hence, startups must find ways to make themselves relevant to their customers in the new situation. Doing this may require you to reassess the concept of value, redefine your value proposition, communicate it to your customers in the right context. Note that the same basic box of offering/product/service/competence can create a variety of value propositions even with little change in some aspects of the content of the box itself. Alternative applications, methods of usage, means of delivery, fitment with some other primary activity, etc. could help to identify newer value propositions that are more relevant to the situation.

Be highly digital

Since physical distancing has, more or less, become the norm, and is going to stay for a long while, startups must 'open shops' in the digital space. Engagement with digital should not be limited to social media marketing etc. Entrepreneurs must brainstorm and find ways to utilize digital much more rigorously.

Digital is going to replace physical in most places. Thus, by simple math, gaps that occur due to contraction in physical must be somehow balanced by expansion in digital.

Be ready to make tough choices

The Covid crisis is not like any that we have seen before in the modern world. The situation is very abnormal, and the definition of normal is also not clear anymore.

Hence, entrepreneurs should also be prepared to make tough choices based on the assessment of their situation. It may involve changing your value proposition, business model, or business plan significantly. It also may mean, for some, to salvage the past without incurring more damages and free up resources, time, and mind space for new opportunities and a fresh start. However, these decisions require a comprehensive analysis of the situation, as suggested above.



Seek help

Last but not least, do not try to conquer Corona on your own. Seek help, advice, support, and guidance as much as you can. You may need a lot of great ideas, connections, leverages, and other kinds of help to survive, strive, and thrive later on. Expecting all of that to come from within the founding team seems far-fetched and even delusional. There is a lot at stake, and the right help at the right time may mean the difference between success and failure.

Hence, a more rational approach seems to become more conservative in estimating your abilities for now and utilize all available help.

Conclusion

Corona crisis has created a situation where many startups may not survive phase-1 itself, while some may go up to phase-2 somehow, but lacking an effective strategy, they may still sink.

From a particular perspective, it appears that Covid is merely going to expedite the dying process of many startups, which were going to fail sooner or later, within the next few months or a couple of years (since more than 95% fail during that period anyway). Further, it might add many more to its kill list on account of poor economic models, and weak business fundamentals. In the pre-Covid world, many such were, perhaps, held afloat by the not-so-sustainable approaches of uneconomical traction, and costly growth. In such cases, the problems of economic value-add and profitability were left for the next series or end-game investors to solve.

That situation is likely to change now as all investors are going to be more cautious and strategic in their approach going forward. It means that early-stage investors may also not get exits in startups that do not have positive economics.

At the same time, Corona also presents new problems to solve and new opportunities. Either way, companies that adapt to the unique situation, strengthen their business fundamentals, come-up with sound strategies for the long-term, and survive the storm in between are the ones that will be the winners and role-models of the post Covid era.

- End of Section -

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- End of Report -

