YOUNG TURKS

Inspiring Stories of Tech Entrepreneurs

SHEREEN BHAN
SYNA DEHNUGARA

'*Young Turks* portrays the enthusiasm, daring, sacrifice, passion, hard work, and dilemmas which pave the entrepreneurial journey.'
N.R. NARAYANA MURTHY, FOUNDER, INFOSYS

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RANDOM HOUSE INDIA

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A NOTE ON THE AUTHORS

Shereen Bhan is the managing editor of CNBC-TV18. She is the anchor-editor of *Young Turks*, one of India's longest running shows on entrepreneurs that has successfully built a niche in business news programming. She has been producing and anchoring flagship news shows like *India Business Hour* and *What's Hot* for over a decade. She is also the host of *Overdrive*, which has won the New Television Award for Best Auto Show for three consecutive years.

Shereen has been the recipient of the Best Business Talk Show award at the News Television Awards for two years consecutively. She also won the FICCI Woman of the Year award for her contribution to the Media in 2005, and was named a Young Global Leader by the World Economic Forum.

Syna Dehnugara is a journalist and television producer based in Delhi. Associated with business news channels for eight years now, her area of work includes interpreting the impact of economic and social policies on business and, in turn, the impact on livelihood, education, healthcare and social progress. Her other big focus has been co-producing *Young Turks*, India’s longest running show on entrepreneurship on CNBC-TV18. The show keeps her optimistic and inspired.

She’s been planning a big year of travel for years now and hopes to make 2015 that year with her husband and very own Young Turk in tow.

To those who reinvigorate the past, reposition the present, and reveal the future

Introduction

Over the past thirteen years as the series editor and anchor of Young Turks, India’s longest running show on young entrepreneurs, I have met some awe inspiring individuals. Men and women who have had the courage and tenacity to think differently, think big, and challenge the status quo. Their stories have helped me identify what I believe are the principles of creating profitable, sustainable businesses. The thirteen entrepreneurs featured in this book embody the ideas of entrepreneurship that I believe will stand the test of time.

Someone I respect and admire told me everything is created twice, first in the mind and then in reality. Entrepreneurs are the ones who go through this two-step process of creation. They don’t just think or imagine it—they do it. Entrepreneurs are creators of ideas and if executed right, creators of a little bit of magic. From Post- its to the iPhone, entrepreneurs change the way we live through this process of creative destruction. But in a hypercompetitive world where 90 percent of all new products and services fail, making choices is not for the faint of heart, however seasoned. To quote Albus Dumbledore, ‘It is not our abilities but the choices we make that define us’. The entrepreneurs in this book shrugged off the odds and as a curious observer of their exhilarating endeavors, Syna and I were determined to unearth the basis of their resilience.

Purpose to Profits: In life and in business we often get caught up in the here and now and forget who we are and what we stand for. Clarity of purpose is the first step towards building a successful, profitable business. Purpose is different from addressing a problem in the market place. It is about defining your core values, your priorities—your business chakras, if you will. It is about understanding your vulnerabilities so you can find your strength. The clearer your purpose, higher will the chances of success be. A true leader is always led by a strong belief, understanding, and will. Each and every story in this book illustrates this truth.

It is not lonely at the top; it is lonely at the start: The excitement of starting up is all consuming in the first few months but then reality bites. All thirteen entrepreneurs featured in the book have been brutally honest about the crisis of confidence that often grips a startup in the initial years before success comes calling. It is not easy to be around friends and peers who are climbing up the corporate ladder, while as the founder CEO, you are probably making your 25th visit to the MCD office to get an NOC of some sort. There are moments of doubt as you sit in a room full of potential investors, sweating buckets deciding on how much equity you are willing to part with; and unless you are very lucky, you have given away more than you bargained for. Starting up is an adrenaline rush and a pride swallowing siege at the same time. But you can't stand tall if you are always fitting in; so entrepreneurs need mighty hearts, dogged determination, and a tough gut to roll with the punches.

'In God we trust; all others must bring data': The actual quote is attributed to American engineer and statistician W. Edwards Deming but I understood the full force of this thought only through conversations with the founder of Infosys, Mr N.R. Narayana Murthy. He said, guard against business decisions being driven by the founder's ego and sometimes delusion. Listen to your gut but back it up with logic and data. Strategy is the subtle life force of a business, driven by courage, anticipation, and sacrifice.

In the chapters ahead you will see these simple but powerful insights being put to use.

Carve a niche; create a category: If you are not first to the market, then create a market. Businesses obsess too much about being better than the competition but perhaps what they should be obsessing about is being different. In your difference, you find your position in the market place. Your position can help determine your value. After all you don't make money making what all can make.

Inside Out-Outside In: An organization must be receptive and responsive. One without the other is no good. As a leader you have to learn to read the clues the marketplace throws up, make sense of them, and use them to adapt your strategy. Necessity may be the mother of invention but, as someone told me, adaptation is the father of innovation. The organization must act as one, aligned towards a single strategy and a clear goal. Being out of sync can often lead to failure.

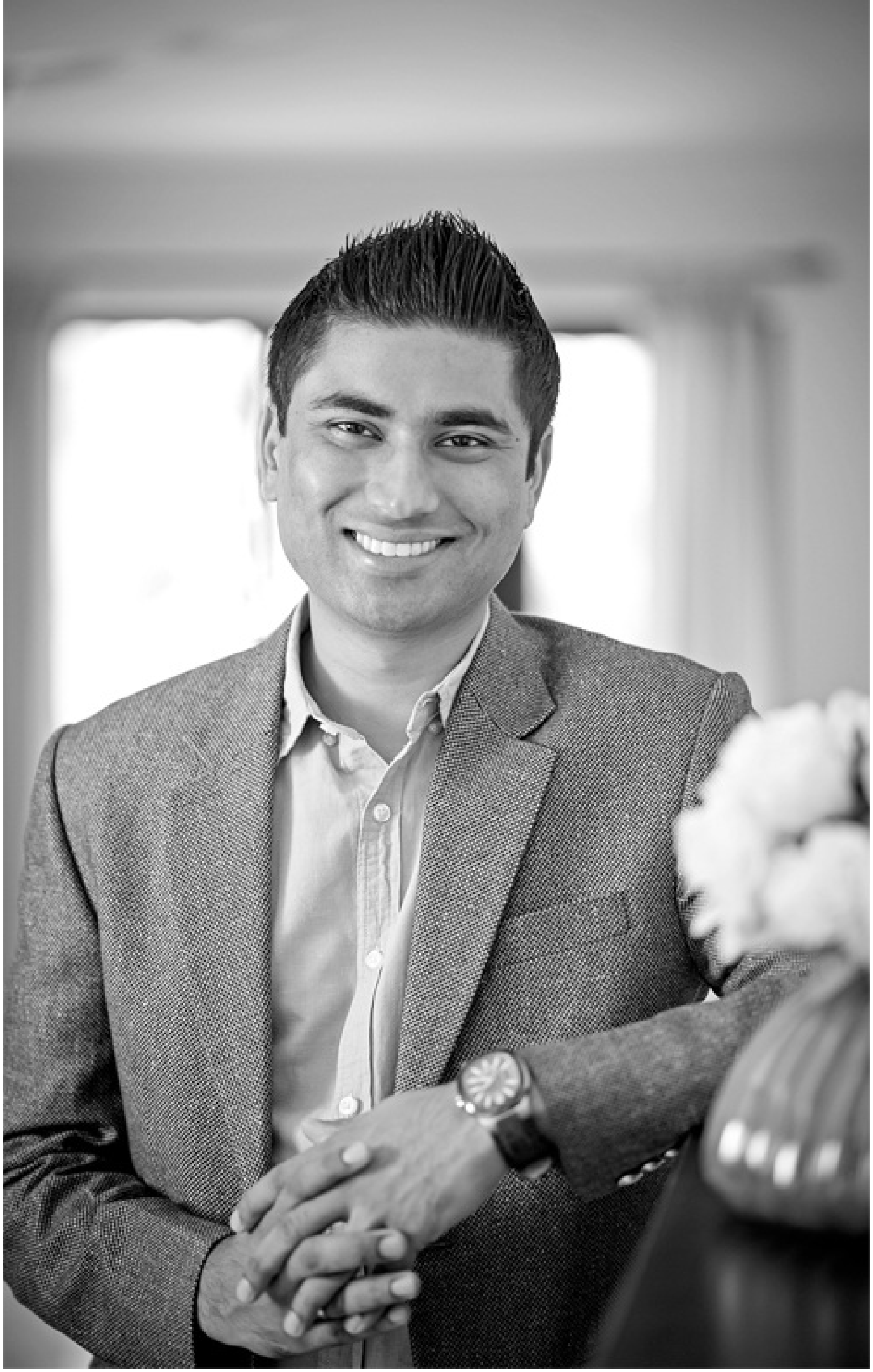
These and other such principles are the basis for action for the over 2000 entrepreneurs we have interviewed on Young Turks. The thirteen tech entrepreneurs in this book are living proof that entrepreneurship is not an entitlement to be passed from a generation to the next. It is about negotiating life on your own terms. So, let me end with Mark twain, he said that he never let his schooling interfere with his education. I may quite similarly venture to suggest that starting up is for those who never let their business interfere with their entrepreneurship. We also believe that marketing products is not good enough; companies must attempt to create categories and do it through brands.

Before I sign off I would like to thank a long list of people who have made Young Turks possible. My heartfelt gratitude to Syna Dehnugara, my co-author, for being a pillar of support. This book would have been a non-starter without her. I can’t thank her enough for her time, patience, perseverance, and passion. I would like to thank the wonderful Young Turks team—Shruti Mishra, Megha Vishwanath, Kulbhushan Sharma, and Sauravi Prasai. I would also like to thank colleagues, some current and some former, who worked on the show over the years—Menaka Doshi, Akanksha Banerji, Anita Balagopalan, Kartik Malhotra, Kunal Chawla, Gautam Shaw, Mallika Menon, Delana D’souza, and several other video editors and video journalists for working on this show every day and putting up with the insane timelines.

Finally, to my parents for their unconditional love and support. To all the other wonderful people in my life, you know who you are, thank you for putting up with me.

Shereen Bhan

FusionCharts



Company name: Infosoft Global

Founders: Pallav Nadhani and Kisor Nadhani

Date of incorporation: 13 January, 2005

Size: Revenue at INR 48 crore and profit before tax at INR 34 crore for FY13

Head count: 61

Geographical presence: Kolkata and Bangalore

Mission statement: Convert all boring data into a delightful experience, for all

AT 29, PALLAV NADHANI has been running a business for a little over 12 years. He was 17 when he developed his first product—a Flash-based chart making software. He sold the first unit online to a user in the US for just USD 15 and received payment by cheque because he hadn't invested in an online payment gateway yet. This first sale resulted in net loss because Pallav's bank in Kolkata levied a USD 35 processing fee to clear an international cheque! The very next day, Pallav borrowed his uncle's credit card and registered for an online payment gateway.

That is how Pallav taught himself to do business—by trial and error. What's worked to his advantage is his speed at rectifying mistakes and 'the beauty of youth—you have no clear goals, you just want to do better than you did yesterday and, you keep on enjoying it. There are no responsibilities, there are no specific commitments or liabilities, you are doing everything that you want to do and things shape up well.'

FusionCharts, the company he founded in 2002 in Kolkata, today has an office in Bangalore and one that will open mid-2015 in the US. The charting software he developed is used across 120 countries by over 23,000 clients, 450–500 of whom are Fortune 500 companies, besides the NASA, the US Federal Government, World Bank, and the UID in India. The venture turned in revenues of USD 10 million last fiscal and while that might not seem like a lot, it's a fortune for a company that's a market leader in data visualization which is in all a USD 100 million niche in the broader USD 80 billion business intelligence space. It's also a fortune for Pallav who started out all those years ago with the sole aim of earning some pocket money to fit in with the cool set at his college in Kolkata.

Originally from Bhagalpur, Bihar, Pallav started teaching himself computer basics on the desktop his father Kisor Nadhani had installed at their home back in the early 1990s. Kisor ran a computer training academy in Bhagalpur. ‘I was lucky. That was the only luxury item we had in the house, not an AC or a fridge but a computer, and that is what encouraged me to learn more about it. It was probably the only computer in the town, so I became the cool kid of the class and invited friends over to play games which at that time used to load on 5.5 inch floppy disks!’

However, running a computer training centre in Bhagalpur was not a very lucrative business and Kisor, serial entrepreneur and, in the words of his son, ‘an adventurer’, moved, with his family to Kolkata where he set up a web design business; in many ways this was where Pallav’s real education began. He says, ‘My dad used to switch businesses every two or three years just to keep his creative juices flowing. He started with a trading business, then a cycle trading business, then he moved to civil real estate, then he had a computer training business, and then web design. My dad was pretty adventurous—he tried building an accounting package, building solutions around Tally, and would often discuss how he was doing these things, and the challenges he was running into, with me. So from a very early age it was a great learning curve for me. It was almost like he was treating me like an equal and taking my opinion when I didn’t really have one but he made me feel like an equal. That helped shape my thought processes in the early span of my life.’

Adjusting to life in a ‘big city’ like Kolkata and a school like Le Martiniere Boys was not easy for Pallav and he increasingly found himself spending all his time post school at his dad’s office, where he learned various aspects of web design and even accompanied his father to client meetings. Then, in a bid to earn some extra pocket money, 16-year-old Pallav started looking for opportunities online. He chanced upon a website for techies, ASPToday, that paid anywhere from USD 600 to USD 1500 for ‘innovative tech articles’. Pallav, who had been mulling the idea of building an interactive charting solution to break away from the monotony of using Excel for school projects, decided to write for the website. The article was actually a paper draft of the product he would eventually build using Flash and ASP. ASPToday accepted the article and sent across USD 1500 to Pallav’s bank account. Perhaps Pallav would have forgotten about the whole project and moved on but developers and coders who read ASPToday began getting in touch with Pallav and suggesting changes and improvements to the design and functionalities. So the USD 1500 became the seed capital for the company and Pallav got to work ‘product-izing the article’.

Once the product was ready, a rudimentary website was put together and two versions were released—a user’s edition priced at USD 15 and a developer’s edition priced at USD 49 which also included the source code. Pallav began writing articles on various technology forums and magazines and even reached out to the developers on ASPToday to purchase the product—that was all the marketing he knew and all the marketing he did for the product. After the first sale debacle, he made two more sales of the developer’s edition in the first month itself and the venture, which was then called FXGraphs, turned profitable.

For the first three years, Pallav ran the show solo from his bedroom—he was the developer, the customer support guy, and the sales team all rolled into one. ‘Once I was on a call helping a customer solve a technical problem with our product and once the problem was solved he asked me to transfer the line to the sales team. I didn’t have a sales team, so I just changed my accent and said, “Here’s the sales team speaking”; and ended up making a license sale.’

For FusionCharts, the first inflection point came in 2005— they already had 2,000 customers and had clocked USD 1.5 million in sales the previous year, but Pallav believed it was time to get serious. ‘I graduated from college in 2005 and I knew that I had had my fun in college. Now I really needed to take FusionCharts to the next level and scale it up with a great release. The version of FusionCharts released that year became a runaway success; we grew 100 percent year on year for the next few years because of that product. We got a lot of fan following and community engagement—a lot of other developers started recommending our product—and then we got a lot of requests to build newer products around data visualization. A market-driven product development cycle started then and I started hiring a team. The year 2005 was also when I got an office, our first, in a residential building. It was a 20-seater office which we bought for INR 10 lakh and on which we spent another INR 10 lakh to decorate. The funny story is that we got it for just INR 10 lakh because that building was like the Leaning Tower of Pisa; so we got it for cheap.’

By 2008, FusionCharts had 10,000 customers and USD 2.8 million in revenues and they had gotten there without a single dedicated sales person. In 2009, a release by the US government which stated that it was using FusionCharts as one of the products to create and monitor the federal spending dashboard did for the company what no sales and marketing manager could have achieved. The positive press and a picture of Barack Obama using a FusionCharts dashboard helped bring in big corporate clients and government agencies as customers!

'Then the next inflection point came in 2010 when Steve Jobs decided that Flash should be dead. All the effort we had made for eight years would have just vanished because of that decision. When he launched the iPhone and iPad without Flash, we had to take a call on how to salvage FusionCharts. We knew that shifting to any other technology (Javascript) would take us a lot of time so the shortest way to do it was to partner with our competitor who was offering products with the new technology. That was an important lesson—balancing the dynamics of having your biggest competitor as your partner!'

It was around this time that Pallav decided to open an office in Bangalore as well to bring in superior engineering and management talent. For the 25-year-old that was a challenging time—managing operations across two cities, dealing with some poor hiring decisions, and coping with the switchover from Flash to Javascript. Pallav admits today that perhaps those years were a time when the business did stagnate. 'Between 2011 and 2013 I got my focus off the product, off the technology to moving the office to Bangalore, and building a middle management, a stronger marketing and sales team, etc. At that time the product suffered. And more so because that was also the time that we were playing the catch up game of moving from Flash to Javascript. For the first time in FusionCharts history, we perhaps slipped from being an innovative company to one that was trying to catch up. In hindsight, I should have concentrated more on the product in those years than building the management and getting senior hires. Also the wrong senior hires didn't help the cause—they were industry veterans so to speak, people with 25 odd years' experience, but what we didn't realize is that hunger is more important than experience, especially in our startup. So we made some bad choices in terms of how to build an engineering or product team with these senior hires instead of building it with me at the helm and the next generation from within the company itself. Those two years did cost us. Though we grew in both those years, we could have grown faster. If the engineering division was consolidated better, we would be moving much faster even now.'

However that learning, Pallav believes, is what holds FusionCharts together today. At 70 members, Pallav feels that the team is still too big; he cites the example of WhatsApp and Skype saying that intellectual property (IP)-driven product companies today really need to be lean machines; for Pallav an ideal team size given the scale of his venture would be 50 members. Having said that, Pallav recognizes the need to maintain numbers given that he's been incubating two more businesses within FusionCharts— RazorFlow, a PHP-based solution (PHP is an HTML-embedded scripting language) that helps developers build cross device dashboards and Collabion, a product that helps enterprises build analytical dashboards within Microsoft Sharepoint.

While one might question the decision to launch two more niche products in a market that is already so niche, Pallav believes that the sector might just be in for bigger growth that the Gartners and Forresters of the world are predicting. 'For the big guys this space is not big enough to keep their attention because it doesn't move the needle for them. So it's great for small, niche companies like ours to come in and take leadership position in this space and then try to evolve to larger spaces; and that's what we are doing with Collabion and RazorFlow. At FusionCharts we took pride in the fact that we got our first 10,000 customers without a sales team. While this is a great thing to say, in hindsight, it's also kind of stupid. For RazorFlow and Collabion, the focus from day one is not only on getting the product and marketing right but also the conversion cycle right. When a lead comes in, how does the lead move from one stage to another? Are we using the right systems and tools to move that lead forward? So the mistakes we will not be making now are one, moving slow on sales and two, not being aggressive.'

Q1. As a teenager, starting up could not have been easy. Now it's something you can celebrate, be proud of; but 10 years back trying to run things on your own must have been a challenge?

A1. There are a whole bunch of stories that I can narrate, but when you are a one-man army or when you don't know how a business works, you just do things that you think are right. My first hire, my first employee, worked out of my bedroom for four months; today that is not possible. My first team, some six–seven people, did not have the benefits of any HR policy because at that time I did not know what HR as a function was all about. Someone would come ask me for leave and I would say: Why do you need that? I had the misfortune of firing someone on January 1, the first day of the year, because I thought it was as good a day to do so as any other. So a lot of these softer things I did not consider or understand because of inexperience.

Q2. You've had global clients right from day one; was it a conscious decision to not target the Indian market?

A2. So the answer to that would be Yes and No. I had seen the struggles that my dad had gone through selling to Indian customers—they are the toughest customers to sell to. It's even tougher if it is a new category of product in technology because they are used to getting software products for free. I had seen that and had decided to not sell in India consciously which is why all the efforts right from the start were tailored for online sales.

I also knew that if I go to a client here in India for a sales meeting wearing jeans and a t-shirt at 17 years of age, they would just not trust me. So I had to protect myself behind the shield of the internet! Also at that time not a lot of Indian companies were looking online for interesting products; companies in other global markets were doing so and they automatically became our client base. I believed that clients didn't need to know who was running this; the only thing they needed to know and care about was the product. So that is how the sales model evolved and became the non-linear model that we have today.

Q3. It is interesting to note that you were very quick to go to market even with your first product. What gave you the confidence?

A3. I want to run and hide somewhere when I think of the first version of FusionCharts. I can't actually believe that people paid for that. But that's how products should be built. There is a very famous saying by Guy Kawasaki, 'If you are not embarrassed or ashamed of your first version then you are shipping too late'. What might happen is that you take a lot of time and effort to build a big product or a really great first version but that is not a validated product; you don't know if that is what your customer wants. In the last couple of years, a new phrase has become popular—the minimum viable product or MVP or lean startup—where people build just the most essential parts of the product and go out to test it. Looking back, that is what I used to do all the time. So when I made the first version of the product, I only knew these chart types—column, line, pie, area, and one more variation and I thought that's all the world needs and I shipped it out happily to customers thinking I've covered everything.Then the customers started writing back saying they needed more variety of charts and I kept including them. So in my case it just happened. Did I put a thought to it back then? No.

Q4. Take us through the journey of how FusionCharts has been marketed over the years—what is at the core of the strategy today?

A4. Initially when we were trying to promote the product, we wrote a lot of articles and posts on various websites and forums. Some of these websites even paid money for these, so we would go write articles about the product and instead of us having to pay them, they would pay us. So we were getting paid back for our own marketing and in return we were getting sales as well. Initially marketing was focussed on low costs but high efficiency. Then Google came out with Google AdWords and we started using those; in fact we were one of the first users of Google AdWords in India. Post 2007, we realized that we need to go beyond just the online audience, so print advertisements happened. Then in 2009 we went for our first tradeshow to CeBit in Germany. So it's been a mix of online and offline. With online it is easy to measure the success of a campaign, whether it is paid posts or Google AdWords, and you know what's working and what's not, while for offline it is more a brand awareness activity that we do. The perception that you create with offline marketing actually revolves around trust and credibility. And as we have moved up the value chain, we have had to create more offline avenues for marketing and even to some extent traditional advertisements because heads of big corporations are unlikely to come to you via a Google ad.

From 2011, we also got into persona creation with the FusionCharts mascot whom we call ‘The Dude’. For the first few years we did not want people to know that we were a single man company run by a teenager, so our website and all the collaterals had a very broad and generic appeal. Later, as we became more confident of our product and capabilities, we started showcasing and took pride in the fact that we are a small, young team and have a personality of our own.

Q6. Pallav, over 20 percent of your revenues today come from the Asian re-seller network. What prompted you to open this sales channel and what has been the experience of working in these markets?

A6. In 2009, one of our customers approached us to re-sell FusionCharts in the Korean market and that’s when we came to know about the existence of this market. We asked that customer why businesses in Korea were not buying directly from our online channel and we were told that the local policy didn’t allow it, so they had to route it through a local partner. Till 2009, South Korea did not feature in our top ten countries, but within a year and half of getting the reseller network going, South Korea was up at number three. That’s when we realized that we have to start building this network in markets that have a great IT convention but do not purchase directly online—we looked at Malaysia, Indonesia, Japan, China and actively started recruiting partners there.

However, it wasn’t so easy. First we tried to partner with companies that sold software but that didn’t work out because they typically sold very large inventories of software like Microsoft or Adobe and our product volumes were too small in comparison; so we lost a few months on that experiment. Then we realized that the best way to approach this was to look at some of our bigger competitors in the business intelligence space and tap into the guys who sold their products. Since we were in the data visualization niche, there was no direct competition. We looked at their partner list and went after them aggressively. We built an internal team of four people to manage these channel partners—recruit them, train them, and to follow up. In fact even when we got a direct lead from some of these countries, we would route it through our channel partners so they could make money on it as well and this has helped us build a good relationship with the re-sellers. China will become a million dollar market for us next year and we expect the re-seller network to contribute 25 percent to overall revenues in 2015. The great thing is that our competitors in Europe and the US are not looking at these markets, so it's been a great opportunity for us to become the number one player in these markets and capture a large market share.

The price we get from customers in China is twice that we get from customers in the US; we get a number of large deals from China because of the large government organizations there. In South Korea, again the deal sizes are huge because we have big corporations like Samsung, Huawei, and LG buying from us. India is a tough market because people don't want to pay at all—even the large MNCs and conglomerates don't want to pay for software products because they expect it for free. That is why we have avoided outbound sales in India despite being located in India; if it's inbound we are okay with it, but more often than not it is easier to sell to a US customer because they understand the value of the product and they move fast. They want something that will solve a problem and they are willing to pay for it—whereas in India the sales cycles are really long.

Q7. How closely do you track competition and what has been your strategy to stay ahead?

A7. At inception we were actually working at breakneck speed and didn't really stop to think or evaluate competition. Also, there weren't any big players in this space back in 2002. 2006–07 is when we saw other players come in because they realized that there was money to be made here. But we still did well between 2006 and 2009 because we were way ahead in terms of technology and it was perhaps time consuming for the other players to catch up. But in 2009–10, with Steve Jobs' announcement of Flash being dead and the new line of Apple products not supporting Flash, we had to move quickly to change from one technology to another. At that point of time we were the ones suddenly having to play the catch up game—converting eight years of work on one technology to another is not easy. So we decided to go partner with a firm that is today our number one competitor—we offered his solution as part of our solution; so that was an interesting time.

Today, Javascript is a much more open technology so a lot more players have come into the market. Just to give you an idea, in the last two years we have seen 50 new competitors emerge in the market whereas in the first 8–10 years there were about 10–15 competitors in all. And a lot of these new competitors are coming to market with products at absolute rock bottom prices or are free open source. Still, we are an established player and have 23,000 clients of which 4,000 to 5,000 are large companies with whom we have deep relationships and our product is now entrenched in their systems; so if someone new comes along it's going to be difficult for them to replace us.

Besides, we have also consciously moved up the value chain; we used to get 3,000 new customers a month in 2008–09, while last year we got 1,650 new customers even though our revenue figures have doubled since then. So the bottom of the market is not our play anymore and we are positioning ourselves as a premium product and targeting the top 15,000–20,000 customers in the world.

Q8. What have been the changes that have gone into adapting to the premium segment?

A8. Some of it has been organic—as our pricing went up year on year, we were automatically targeting the premium segment which left a gap at the bottom which the competition has filled. The thing that we had to deal with was—you cannot have a premium product positioning and then also offer bottom of the market products as this confuses the client. So we took a conscious decision to let go of that market and concentrate on the upper segment where we already have a lot of customers—we may be adding customers at a slower rate but the deal sizes are bigger.

The second thing is that now instead of dealing with 3,000 new customers, we have to deal with 1,500—the question is how do we forge a deeper connect with these 1,500 customers? So we started a bunch of internal programmes to service the really large customers. We've moved away from just a transactional relationship where they used to come and buy on our website to more engagement. Another thing we have realized is that when you are working with enterprises they don't always want to work with free, open source, cheap products—they want the best in class products and they are willing to pay for it. The promise to our customers is the depth and breadth of customer care and our commitment that we will continue to develop these products. Now all of this is essential for an enterprise because they don't want to be using a cheap, open source product and then be stranded when the need of the hour comes and they have no one to turn to.

Till last year we were ten times the pricing of our competitors in US and Europe. Indian companies do a price arbitrage—they say we are cheaper—but we took pride in the fact that we are not cheap. We are ten times more expensive but we give quality and value for money, we give support to a client whenever they need it, and whenever there is a new requirement we satisfy that.

Q9. Who has been your toughest client to date and what have you learnt from that experience?

A9. I can't name the company but they are one of the largest networking companies in the world and they were using our product in their routers to track real time traffic and they needed our product to run consecutively for days and weeks with real time traffic coming in. One of the issues was that our product typically runs via the internet browser; so even if we were to build in the capability in our product to track real time data, we were restricted by the capability of browsers like Internet Explorer or Firefox. We really had to work hard and devise clever means, not just in the product but also how we put the product in the context of a browser to be able to satisfy the needs of this client. So the first challenge was testing the changes we made to the product. We would not know the problems till we had run it for a few days—six days in this case—so we had to come up with innovative ways in which we could compress the testing time as well and then showcase to the client what we could do. So that was a very interesting learning on how we had to build things beyond the product, simulating things that the client needed, and automating a lot of our infrastructure for building the product to be able to catch bugs and issues early on. And this one experience actually gave us a new product line that we now sell to other large networking companies.

Q10. What are learnings from FusionCharts that you have brought to RazorFlow and Collabion?

A10. What we are doing at both of these ventures is thinking big right from day one—not thinking quarter to quarter but making five-year plans. We consciously don’t want to take decisions that might result in quarterly or yearly profits but in the future restrict bigger growth.

For instance, at FusionCharts, we did a lot of customization work for individual clients and then it came back to haunt us when we had to support those clients out of the main product line. As a product company there should be only one focus—the product that is applicable to all. At RazorFlow and Collabion, we are very aware that nothing goes out of the product line.Even if a client offers a million dollars to take on the team for six months to work on the customization, we say no because we have a clear goal and product roadmap in mind. The second learning has been to hire sales and marketing early to be able to get a foothold in the market, not just to gain revenues but also get product validation or feedback as to what we should be doing next—to have our ears close to the ground. Third, entity structuring and the things that we should do from day one—to have clean global IPs, to have employees owning stake in the company right from day one, creating a governance structure so that everyone knows their roles and responsibilities—pretty much basics for other companies but for us learnings from our mistakes.

Q11. The approach you’ve had to hiring and grooming talent— has it at times been an impediment? And what do you feel about the fear in the market about spending time training freshers and then watching them jump ship after learning the ropes?

A11. There is no foolproof measure to that—the best bet is to get people and help them be successful and if they are aligned to your goals, they will stick on. The problem is not after investing two years in them, the problem is the first six or twelve months where they themselves don’t know what they want and when you throw a lot of things at them, and if this doesn’t align with what they had envisioned or what they think their peers are doing, they tend to move out. Once someone stays with us for a year or year and half, they get attuned to the culture and the quality of work that we demand and then it is just about the motivation and the hygiene factors which we are good at taking care of. Can we do better? Yes. But what we would like to see is a lot more ready-to-absorb ‘product people’ in India but that onus is on us—the current set of product companies to create those people so that the next set of companies can grow at a much faster pace.

Q12. What about being an acquisition target? How many suitors have you had? Has it been easy to say no?

A12. There have been a few of them. The first offer came in 2009 and at that point of time I was in two minds—should I do it or not. Ultimately we decided not to do it and the only reason was that there was still so much learning to be gleaned from this business and if I went to another one, I would’ve had to start from scratch. I felt that I had not had my fair share of learnings till then—I had not learnt how to build an organization, how to build a sales team, how to build a global office. Another offer came a year later and that was an easy one to say no to for the same reasons.

Then in 2012 we got a really lucrative offer which really pushed me to think about taking it; we decided to move ahead with it but I can say fortunately we ran into a licensing issue with one of our open source products because of which the deal didn’t go through. But that helped us understand how a large corporation, and I am talking about one of the top three software corporations in the world, would look at a company like ours. When we talked to the senior managers, VPs, the presidents of divisions, we understood what they looked for. And the learnings from that taught us how we need to build a clean company, have good corporate governance, and understand how a global company would build a solution like ours.

Q13. Was it a conscious decision to be self-funded? I can understand that back in 2002 there was virtually no funding available for startups, but in the last couple of years, there’s been plenty to go around; why have you stayed out of it?

A13. In the first 3–4 years, the motivations were very different and I didn’t really know about venture capital. By the time I got to know about VCs, I had enough money in the bank to not need them.

Also, for a product company it is not always the money but the IP that helps you scale, more so in a non-linear model like ours where you do not necessarily need a field sales force or a lot of offices. Money cannot buy you creativity or IP—it can help you accelerate, but we already get that money from our customers. Secondly, you have to be very cautious about who you take money from—when you talk of venture money it comes with some ‘smart guys’ too—who are these guys? You want people who have been involved with building product companies in India or outside. There are some great guys here but I have not seen too many who have been involved with global software products and are now in the VC industry. So that was also a conscious choice to not just take money but also take money from people who can really bring in their knowhow and help us accelerate.

Q14. You believe that India hasn’t had too many disruptive startups. Are RazorFlow and Collabion in the disruptive or value-added space?

A14. I think we have really abused the word disruptive startups across the board. Disruptive for me is, for example, what redBus did, disruptive is what Just Dial did—they took a completely unorganized sector and changed it. Disruptive is giving power to the people, disruptive is when someone finds treatment to cancer or AIDS. If you are helping a company sell more apps, increasing someone’s ad revenue, helping a venture get more efficiency in their business—all that is just incremental, not disruptive. So I would say RazorFlow and Collabion both fall in the value-added space.

Q15. What has it been like working with your father? What’s the equation? On paper you are the CEO and he the CFO but what is it really like?

A15. It’s always great to have dad around because he brings so much experience to the table; he brutally validates or rejects what I am thinking. He comes from an older school of thought and while we have our debates and arguments, at the end of the day logic trumps—nothing else, not seniority, not relationships. We have very clear separation of roles—I handle product, technology, and marketing and he handles admin, finance, and sales. Mostly we don’t overlap; we take each other’s opinions and respect each other’s opinions. We try to influence each other as opposed to claiming authority over each other. One thing we maintain inside FusionCharts is to be brutally honest with each other—so even if you are senior but doing something wrong, we will be brutally honest about it. Anyone can come up to me and tell me I am wrong and why I am wrong as long as there is data or logic to prove it.

Q16. What excites you about the startup ecosystem today?

A16. The motivation when I started the business was very different—it was to make pocket money, and when I had enough money, I realized that I have to go and do something else. That came in 2005–06 when I passed out of college. Secondly, for one to realize a lot of these things, one needs an ecosystem or peers to learn from and at that point of time Kolkata had no ecosystem— now I see that ecosystem and energy in Bangalore where people want to build big businesses. Third was my own ignorance with respect to what I can do with this company because there was no playbook or blueprint to follow. Now there are a lot of channels online and offline that cover entrepreneurship and learning—so a lot of this was missing at that time. But we’ve realized these things and are on track.

Capillary Tech

Company name: Capillary Technologies

Founders: Aneesh Reddy, Krishna Mehra, and Ajay Modani

Date of incorporation: August 2008

Head count: 350+

Geographical presence: US, UK, Middle East, South Africa, and Asia-Pacific

Mission statement: Our mission is to help every retail marketer form successful and personalized relationships with their customers based on insights derived from customer analytics across multiple channels by harnessing the power of Capillary's integrated marketing platform

'IT WAS KRISHNA'S BIRTHDAY—19 January, 2008—and we were both drinking into the night and cribbing about our first jobs. There was nothing really wrong with our jobs at Microsoft or ITC, it was more just a first job syndrome. We felt that enough was enough and that we should start up now—a *kar lo duniya muthi mein* kind of feeling. And both of us felt that if the startup doesn't go well, we will join IIM or go do our MS or PhD or whatever!' says Aneesh Reddy, co-founder of Capillary Tech. Aneesh and his batch mate from IIT-Kharagpur Krishna Mehra, however, didn't quit their jobs immediately. '…through March, April, May we were only racking our heads—what do we do; bouncing off ideas. Then we realized that the right thing to do was to take an investor kind of approach—pick two sectors that were coming up well and do something in those. So we said, let's do something at the intersection of retail and mobile; it's then that we quit and went to IIT-Kharagpur, our alma mater, and asked for a seed loan of INR 15 lakh in 2008.'

Raising the seed capital from the entrepreneurship cell at IIT-Kharagpur was not difficult given that Aneesh and Krishna were instrumental in setting up the cell back in 2005 to fund some of their startup ideas around robotics. Armed with the seed money, Krishna quit his job at Microsoft and returned to his parents' home in Kolkata to work on a couple of ideas.

'My family is into publishing, but at the end of my tenth standard I told my parents I wanted to study engineering. They thought I would do all of that and then one day return to the family business, but they were very supportive. And then, after my stint at Microsoft Research when I decided to start up a business, the family was again supportive; they were not worried about me leaving a "job". So, in that sense, my journey was a little easier than most other people.'

Aneesh too quit his Kolkata-based job as a facility manager with ITC and joined Krishna, though explaining why he was doing this to his parents, both doctors, was not as easy. ‘I actually wanted to be a doctor as a kid but my dad told me one day that you need a lot of patience to be a doctor and you are very short tempered so why don’t you consider something else. He suggested I try out IIT and engineering and that is what I did. My parents always wanted me to do a PhD. My brother is a doctor; in fact he’s 33 and is still doing one specialization after another. So my parents wanted me to do engineering and then do a PhD in the US somewhere. I had a call from MIT to do a masters in aerospace physics when I was in IIT, but I had declined that and joined ITC instead. So that was a sore disappoint for them. Moreover, no one in my immediate or even distant family is an entrepreneur; almost everyone is service focused. So my dad was really paranoid when I told him that I am quitting ITC and starting up; he didn’t take it well. He hadn’t come to terms with me not taking up the MIT degree and now a year later I was giving up a good job. It was tough convincing him. Eventually I told him that I’ll do this for 6–9 months and if it doesn’t click, I’ll go do an MBA,’ says Aneesh.

Aneesh and Krishna, both 24-years-old then, were joined by another IIT-Kharagpur batch mate Ajay Modani and the experiments began. The first product idea was to build a system that would help users find shopping deals over a text message. While working on the prototype, the team began dusting the streets of Kolkata, meeting merchants to gauge their interest in the product. This coincided with Durga Puja that year, 2008, and while on the road, stuck in traffic jam after traffic jam another business idea occurred to the trio, Aneesh says, ‘We thought of building this value added service (VAS) on mobile where you text in where you want to go and we tell you the best routes to take. We went and pitched to the traffic police commissioner and he loved the idea but said, ‘I can’t fund you but I can give you space to sit in the traffic control room.’ So there we were—sitting in the traffic control room, with all the information and our algorithms, and whenever a user sent a SMS for information, we would relay the relevant details back. And because the traffic police had given us the go ahead for this, Airtel and Vodafone sent out almost 10 million messages to their user base saying that there is a service like this available. We had the whole thing up and running in two weeks, but one thing we realized quickly was that we wouldn't make money out of this traffic management idea. VAS operators or the telecom companies kept 90 percent of the revenues and it didn't seem that there could be a viable business out of it. So we dropped the idea.'

The trio went back to testing their initial 'deals-on-mobile idea' with retailers in Kolkata, from one store merchants on Park Street to the Batas and Peter Englands of the world. But late 2008 was not a particularly good time to have these conversations: Lehman Brothers had collapsed and retailers were worried about an impending recession, sales were dipping, and Diwali sales had been disappointing. 'When we pitched our idea to retailers, big and small, they invariably said: "We don't know why sales are going down, we don't know if our existing customers are not coming back or if the number of new customers is dipping." So the next simple question to ask them was: "Do you know who your customers are?" And in 8 out of 10 cases they had no information on the customer; products were just placed in the store and expected to sell. On the other hand, the guys who did have loyalty card schemes said that people didn't want to hang out in the store and fill forms and even if they did take the card in the first instance, it was unlikely that they would carry it with them every time they shopped. Pretty much everyone had a similar problem so we realized that this was something we had to crack for two reasons: one, we knew who our first 5–10 customers were and two, we realized that this was a large enough problem for us to build a sizable, meaningful company out of,' says Aneesh.

The team then put their heads together and came up with a simple 'mobile loyalty programme' where cashiers at retail outlets could sign up customers with just their mobile numbers and then use the same number on subsequent visits to not only track purchases but also offer attractive on-the-spot discounts based on the customer's shopping history. 'We had the first version of the product up in two weeks. We didn't go for any great looking user interfaces etc, and the first version was a purely web-based product where the guy in the store could just open his browser, log into his account, and start using it. We went live in a few stores of Urban Yoga, who was our first client. Within a day or two, we realized that this was not going to work because in a store, a customer doesn't want to stand at the cash till for more than 10 seconds and the cashier doesn't have time to open a web browser, enter the bill number and amount etc. So the first iteration of the product completely failed. Thank god, we had spent only 15–20 days to build it and not six months. All the first 20–30 installations in stores were done by Ajay in Delhi and me in Bangalore; we would spend a couple of hours in each store to see the reactions. Even today, when we come out with a new feature or roll out something, we take a small video of how it is being used to show the product engineering team,' says Aneesh.

Iterating very, very quickly and having extremely open, evaluative conversations with clients has become a trademark of sorts for Capillary Tech. Recognized as one of the fastest growing companies in the customer relationship management (CRM) space by Gartner in 2013, Capillary offers retailers a cloud-based software solution that helps them engage intelligently with customers through in-store, web site, social media, and mobile channels. Capillary now powers more than 10,000 stores globally for over 150 brands servicing more than 75 million end consumers across 16 countries. Its clients include global retail chains like Marks & Spencer, Nokia, Puma, Pizza Hut, United Colors of Benetton as well as the big glut of mid-size retailers in the US, Europe, the Middle East, and Australia.

Capillary in fact generates close to 55 percent of its revenues from overseas markets and global expansion has also served as a big learning curve for the team. Krishna, who is now based in San Francisco and is looking at expansion in the Americas says, 'Customers in India are a lot more forgiving if something goes wrong. They help you and work with you and do not bother much about the details, but here you cannot afford to make any mistakes and that's also because the scale here is so high. There are also cultural differences in the way Indians work and the way people here work; in India if something minor went wrong no one would typically say much and one would just fix it and move on, but here the client expects to be informed immediately. So you need to have the right people in your overseas teams who understand these cultural differences and can help you navigate them.'

For Ajay, who manages India operations and customer retention, the biggest challenge has been to ensure that the product's competitive edge is clearly communicated to customers from time to time, especially at a time when competition from niche players is heating up. 'We are an end-to-end service. Compared to other products in the market, some offer just campaign management, some loyalty, some analytics but none of them have a complete solution. In our case we are not just selling a software or a product—say one of our clients wants to earn INR 100 crore from their loyalty programme, then the complete ownership of achieving that for the client is Capillary's. We take that kind of ownership from the brand. We are not just a vendor or service provider, we are partners in business and in many ways we act as business consultants to the CEO or CMO,' says Ajay.

Aneesh adds, 'Our competitive advantage is going to come from the product; we have a terrific product that has been built with real insights from retailers and there is a lot of intellectual capital in that. The other thing is that we have actually evolved in some sense into a big data company and not just a CRM company which makes our product very, very sticky for our existing customers.'

This has been their approach right from the start, partnering clients to deliver value, something they learnt from some of their most demanding clients in Kolkata.

Q1. Aneesh, you said in a TEDx talk: 'It's a good idea only if people are willing to pay for it'. Was it a challenge for you to get people to pay for your product and service given that you launched Capillary in late 2008 just as the world was heading into a recessionary phase?

A1. Quite a bit actually. We started off with Kolkata and that is one of the toughest places to sell. Today we sell in 16 countries, we have offices in all 16, and it has been a great journey but the toughest place to sell remains Kolkata.

At the start all we had to show potential customers was a PowerPoint presentation; that was our minimum viable product. We'd pitch the idea—it's a mobile loyalty programme, people can sign up only with a phone number—and see if the prospective client would pay for it. So what happens in India is that we are not really conditioned to ever saying 'No'. So no one will ever say, 'No, we will not buy from you'; they will delay the decision or say, '*Yeh add kar lo* and then we will buy'. And this circle just continues; so we set a criterion very early on that we would work on a customized product only if the guy is willing to pay for the basic product in the first place.

In Kolkata we were trying to sell the product at a very low price—INR 200 per store per month—and the merchants would still say, 'It's very expensive!' So then I started travelling to other markets—Delhi, Bangalore—and when we came to Bangalore we realized that people were willing to pay much more for our product and they saw value in it. We also got very good feedback from people at Future Group and Madura Garments where they said, ‘Look, this is a recession, we are not going to pay you a lump sum amount upfront for the software and neither are we going to pay a lot of money to buy servers and so on.’ So then we arrived at mechanism where we charged a small fee—about INR 2,000 per month per store—for renting out the software and we hosted the backend with Amazon Web Services on the cloud. Our sales pitch was that it is cheaper than what you will pay your janitor and customer relationship management (CRM) is definitely more important than what needs to be paid to clean your store.

So that’s how we started. We didn’t have a lot of stores—Urban Yoga: three stores, Jealous 21: two stores, People: five stores— but that’s okay because today each of those accounts pays us in multiple of USD 100,000 per year. That was a great starting point for us and the learning that stuck with us was that if you give something free to a potential client, you’re probably not getting the right feedback and secondly if you give something for free once, then the client will not want to pay for it later.

The other thing that worked for us was that even if it was just INR 2,000 or INR 5,000, the marketing manager would have to go and get a sign off for it from his boss and once that happened it became a joint baby—it was as much the manager’s responsibility that it became a success. That ethos has stuck with us; we charge even for our pilots and never do anything for free.

Q2. What have been your biggest challenges while scaling up?

A2. Initially, when you start off, the core team becomes very important because it is people who drive success and growth at very early stages of the company. We started in Kolkata and within six months we had moved to Bangalore with the entire team. Then we scaled across India—setting up a Mumbai office and a Delhi office, all very quickly. We didn’t really face any scaling issues till we hit 100–150 people in the company mainly because we had a good initial team and then when we moved into global markets— the UK, Singapore, Dubai—three years ago, we really started feeling the pain of scaling up. It was only once we set up the international offices that we realized that process is very important.

India works on *jugaad* and even clients here appreciate that there will be something going wrong here and there. I must say, Indian clients are extremely forgiving and we've had some great clients here with whom we have made our mistakes, learnt, and delivered value to. But once you get out of India, *jugaad* is unheard of. Markets in the West—the US, the UK, or even the East are far more structured; people like to follow processes and procedures and those factors become very, very important for a startup to adhere to if they really want to crack the market.

A year and a half or two back, we first realized that the big road block to becoming a very successful product company out of India was our core culture—speed and *jugaad.* We felt the need to get in more experienced folks who have helped build processes and talent over the years in other companies. We went out and got a vice president of engineering, more senior sales folks around the world, a vice president of finance, and a vice president of professional services and HR.

We also made a conscious decision to shed a little speed to become more reliable and that much more process-driven; we are still on that journey. Since we are one of the first few product companies out of India, we are doing a lot of the falling and learning on our own right now, and that's part of scaling up.

Q3. 55 percent of your revenues today come from overseas markets, but how did you break into the global marketplace?

A3. When we decided in 2011 that we want to grow internationally, we just went to our existing clients in India like Pizza Hut, Benetton, Nike, Puma and asked them if they could introduce us to their counterparts in markets like Dubai, Singapore, the UK. Our strategy was not to go big bang and spend a lot of money to acquire customers but see if we have a product market fit for them. The idea was: will customers in these markets want to buy from us?

For instance we approached Alok Industries (we work for their retail format outlet called H&A) as they had just bought out a company in the UK called QS which had about 180 odd stores there. We asked the team at Alok if they could introduce us to the team in the UK and they were happy to make the introductions since they were seeing very good returns from us in India. So they introduced us. I was on my way to the US to meet my brother and I stopped in London and met the CEO. He loved the idea, and asked to try it out. We offered him a pilot. They saw a good return on investment (ROI) on the three month pilot and bingo, we had an international client!

Our foray into Singapore was through Pizza Hut with whom we work in India; similarly with Puma and we were up and running in that market in no time. This was possible because our customers were actually selling for us, they were willing to pick up the phone and recommend us. We, on the other hand, were always ready to give a quick, low-cost pilot to prospective clients and this really opened up a lot of doors for us.

Q4. How different is a mid-size retailer in the US or other global markets from a mid-size retailer in India?

A4. In India and the larger markets, the bigger retailers tend to be quite similar. They want to run analytics, they want to run their businesses using a lot of data—so that's similar on both sides. The big difference is: Indian mid-size retailers are very, very ROI focused—they run with small teams, typically the owner does everything from IT to sales to merchandizing to purchasing and there's a single person taking all the calls. So if he is investing INR 5,000 per month, per store on your product, he wants to see INR 15,000 in margins being generated for him from whatever you are doing for him; so the onus sits on you as a company to show that ROI and make it a low touch model where they continuously need to see the impact of why they are paying you. While internationally we are seeing that even a lot of the mid-size retailers have realized the importance of running their businesses using data; so everyone wants more analytics, more dashboards, more data with which they can get more business. It's not just about driving revenue but also about taking the right decisions. In international markets it's not so much ROI focused, hence it's more process, more benchmarking, and it's more about: are we good on our CRM focus? For the Indian retailer, the only question is: am I making three times the money that I am paying them? But having said that, even in India we are now seeing people move towards using more data; so India is catching up in that sense.

Q5. Several write-ups about Capillary tend to describe you guys as the people who've developed customer management solutions for retailers 'who cannot afford SAP and Oracle products'. Is this price differentiator enough to build a sustainable business? For a large players like SAP or Oracle to drop prices to become competitive in developing markets will not hurt to the extent that it will hurt a business like yours. Is this a real fear?

A5. There are two parts to this—when people are talking about not being able to afford SAP or Oracle, it's not only the price factor but also the amount of time it would take you to get SAP off the ground. These are heavy duty software and could take you anywhere between six months to a year to set up and run and another year for a CRM tool to start showing you an ROI on that type of platform. Our big differentiator, more than price, is really time. We are a product that doesn't use heavy duty servers and the like. We use the cloud and can go live in 15–20 days. Because our product is retail specific, a lot of the analytics tools are pre-built into the product, a lot of the best practices in terms of what the retailer needs to do achieve his targets is built in as well. Typically our customer starts seeing an ROI in three or four months, so the bigger USP is not the price but the time in which you can go live and see ROI. Retail has always been a low margin, tight on cash type of business where you can't look at a one or two year timeframe for implementation. That's our biggest USP.

If you look at the larger markets where we are and the larger customers in India like Raymond, Benetton, Madura Garments, Pizza Hut—they can all afford Oracle or SAP, but the reason they stick with us is because the product goes live much faster, the product is more marketing-focused, and the marketing manager feels empowered. And in terms of pricing we are pretty much there, as in our cost of ownership over a 3 year timeframe is as much as an Oracle platform, and you typically buy software for at least three years. So we are not cheap or discounted to these guys in any way, especially in markets like the UK and Singapore where we work with larger retailers like M&S, Cod's, and KFC. None of these guys bought us for the cost of ownership; they bought us for the fact that we bring great returns, and good data for them to run their business. Better in fact than they would have got from SAP or Oracle which are more IT-focussed products than business or marketing products.

Q6. Vijay Govindrajan wrote a piece on reverse innovation for the Harvard Business Review and cited Capillary as a good example of it. From a broader ecosystem point of view, what do you think about Indian product companies and this whole reverse innovation debate?

A6. I think reverse innovation totally works; I think you innovate the most when you are massively constrained, when you don't have too much opportunity, and I believe the mid-retailer or the SME in India is very similar to the mid-market guy in other parts of the world. So an INR 100 crore business in India would behave very similarly to a USD 10 million business in the US, Singapore, or Australia, in terms of their financial and organizational structure, the number of marketing personnel they have etc. will be similar. So a mid- to large-size Indian business is very representative of the vast number of SMEs that you have in the developed markets and these SMEs would also have needs for good products—good CRM systems, good inventory management systems and the like. Thankfully what has also happened in the last few years is that the cloud has opened up—today any two guys can buy an Amazon Cloud license and start off a product and this is going to fuel a lot of great products coming out of a market like India. Entrepreneurs in India typically built for customers in India but India need not be a boundary for any of these products anymore.

I remember when we said we want to go and start in our first international market, a lot of our angel investors were frightened that we were losing focus. They wondered if the Indian market was peaking off and all we told them was that let us try out other markets and see if there is a product market fit. And there is, not just for us but for a lot of product companies coming out of India.

Q7. Capillary and American Express Ventures (the investment arm of American Express) earlier this year signed a joint marketing agreement for the US market. They also made a strategic investment in Capillary for an undisclosed amount. As a first-time entrepreneur, what was the high for you: the sheer size of the deal or the validation that comes from striking a partnership with a group like AmEx?

A7. The way I and most of the people in the company look at American Express is more as a partner than as an investor. The AmEx deal acts more as a validation to retailers around the world because AmEx does its due diligence extremely well. They actually made us do a pilot in Singapore for six months where they took us to their merchants, saw how our product was used in the pilot, and how many retailers signed up for full year contracts post the pilots. They did their due diligence and delved into every small detail—security, how the product is structured, and at the end they said we want to do a partnership with you and also invest. For us it was validation of the fact we have built a good product which has brought in a partner like AmEx and they will now take the product around the world through their channels. Also AmEx checking out our global pilots in the first place means that we were doing the right things for clients in the US, Singapore, Australia, and Hong Kong.

Q8. How has your role in the company changed as you have scaled up? How have you prepared yourself for the changes?

A8. When we started off, everyone did everything—right from installations to raising money. One thing you need to realize as you start scaling up your business is that initially generalists are good, but as you go forward you need to start specializing, building teams so that you have the right guys to focus, and bring in a detailed eye for delivery, or specific engineering functions, or sales. So the sooner you realize that, the better, and if you have the money to start investing in resources like that, you should just go ahead and do it. We love the culture that we have built of still being like a startup with 300–350 people, though that in itself is an oxymoron because at 300+ people you can hardly call yourself a startup! But if you want to keep that culture of openness and risk taking alive, you have to keep the team aligned on common goals and a vision. My largest role in the company today is being the guy who makes sure everyone knows what they are doing and why they are doing it because most of the people working at Capillary are not here for the money; they are here because they are having fun.

Q9. In the journey so far, what have been the lowest points and what have you learnt from those experiences?

A9. We have a saying in the team that no two days are similar; you have a lot of ups and downs when you are building a business. We've had cases where investors who said they would invest have not invested and that brought us to a stage of almost going bankrupt. Luckily, we called some of our angels and they had so much faith in us that they just transferred another INR 3–4 lakh and we paid salaries with it. We've gotten close to bankruptcy at least thrice in the first three years. There was a time in the first year that we were completely out of money and I took the train to Kharagpur, sat with all my professors at IIT and asked the entrepreneurship cell to please give us another INR 5 lakh. They did and that took us through the next 5–6 months and we got over that hump. So we've had our quota of downs.

The second thing is that as you grow as a company, it becomes very important for you to say the right 'nos'. You will always have a lot of opportunities because you are nimble and have a great team, the company can take any direction that you want it to take, so you have to know where to say the right 'nos' and say very few 'yeses'. When you have to say no, it does lead to heart burn between the co-founders or with the sales guys thinking that the company has gotten to a place where they are saying no to business which is something you don't want to do as a startup. But in the last six years, we should definitely have said more 'nos' than we've said.

Q10. If you could go back and do it all over again, what would you do differently the second time around?

A10. Since we were bootstrapped for a long while, we've always been a very revenue- and market-focused company. What that means is that we've taken business even when it was not the greatest of business—we've even modified the product for customers here and there. In hindsight, I would avoid undertaking all those modifications that we made for customers. Secondly, I think we should have brought in senior management earlier than we did. Unfortunately for us we did not have too many role models in India that we could look up to and copy, so we made a lot of mistakes especially with the kind of hiring that we did initially. If I was to ever do another startup after Capillary, I would be careful about two things. Firstly, saying more 'nos' and focusing more on the product than revenues. Secondly, if you really want to build a massive product company out of India, you need a lot of experience especially if it is enterprise products; so I would definitely have brought in the grey hairs sooner than later.

Q11. Some of your employees have launched their own product startups. Are you a mentor to them? What does this indicate about the ecosystem?

A11. We've had a goal in the company from year two or three that there should be at least a 100 startups out of Capillary and we have been very vocal about it. We've been extremely open about this with our team and we believe that they will go out and do the next round of product startups from India. With the kind of talent we have, I don't see why we will not get to that 100 startups number. And the good news is that there are already 10 such startups in the market that are ex-Capillary employees who have gone out and set up their own thing; in a few of them both Krishna and I have angel invested and we are very supportive of them. We strongly believe that if you have a great team, they will go out and start up. It is not about them not liking Capillary, it's like we are running another entrepreneurship cell.

Q12. What you are alluding here is actually a culture change that's taking place. What do you think has triggered this mindset change?

A12. When I look back, all of us on campus were more interested in getting a cushy job or doing an MS or PhD. The whole culture of incubation and early stage funds was really not there in 2005–06. The batch senior to us at IIT-Kharagpur had had only one startup team; today on an average you have 10–15 startups coming out of each batch. That's a big change over the last 5–7 years and this, I think, has been driven by the success of ventures like Flipkart, InMobi, Druva and a lot of the others—basically all companies founded by 25-year-olds. And when one sees these companies doing so well, they are inspired. This has meant a lot of the IITs, IIMs, and even tier-II engineering and management colleges have picked up on this and now have an entrepreneurship cell, an incubation cell, or some kind of funding mechanism to encourage students to startup. IIT-Kharagpur even has an option where if your startup doesn't do well, you have the option of going back and sitting for placements, even after two years. All of this has meant that even parents have become more open minded about their kids starting up or joining a startup. When we got going, while hiring the first few engineers we actually spent more time convincing parents rather than the kids on why a startup was not a bad place to work. So the world has moved quite a bit for the better in the last few years and it's great to see the whole startup ecosystem, especially the software product ecosystem, shaping up well.

Q13. How have things changed in the last few years in Bangalore? What is it about the city that fosters this vibrant startup culture?

A13. Bangalore has an amazing startup culture and we can vouch for it because we moved from Kolkata to Bangalore lock, stock, and barrel. It's a closely knit community—there are a lot of open coffee clubs and several forums run by organizations like iSPIRT and many others that really take mentoring and knowledge sharing to another level. And we've benefitted from this ecosystem. We didn't have the concept of product managers till a few years back in the company and today we have 10 of them. This is something we picked up from InMobi—they have 50 of them and we found out about this from one of the iSPIRT roundtables where the InMobi guys shared their experiences. Similarly in setting up our sales teams we have learnt a lot from other entrepreneurs—we haven't made the mistakes they made, we haven't had to reinvent the wheel.

In terms of contemporaries, we've learnt quite a bit from InMobi, Druva and Mu Sigma by observing how they have set up their product deliveries and processes. There is a concept in Silicon Valley—Pay It Forward—which is if you have learnt something, share it with others, and this exists in Bangalore too. The culture and vibe of the city has ensured that we too are active in these forums and are willing to talk and share experiences that might help others.

Q13. A venture capitalist I once spoke to classified entrepreneurs as: ones who want to build a big company, ones who want to solve a real world problem, and ones that want the technology they've developed to be available globally. Which bucket do you fall in? I know it's always a little bit of all three, but which of these motivations makes up 90 percent of Capillary's DNA?

A13. We’ve always been a company that has said let’s solve a real world problem because that is the easiest and quickest way to build a profitable, large company. Even today if you look at the DNA of the company, if there is any request from a client or a new idea from within the team, the first thing we do is go talk to our existing customers and see if this actually solves a problem for them. Only then do we build it.

So the focus on solving a problem is very, very important and that helps a lot because if you are solving a real problem there will be a lot more people who will want to buy from you—you are then a painkiller and not just a vitamin and that makes things easy for you as an entrepreneur and as a company. We definitely fall in that lot and not in the Apple lot that says: here’s a product that we believe is great; buy it if you want to or don’t buy it if you don’t want to.

Druva

Company name: Druva

Founders: Milind Borate, Ramani Kothandaraman, and Jaspreet Singh

Date of incorporation: 2008

Head count: 300+

Geographical presence: Headquarters in Sunnyvale, California and offices in London, Pune, and Singapore

Positioning statement: Druva is the pioneer and market leader in data protection and governance at the edge of the enterprise, bringing visibility and control to business information in the era of the mobile workforce and consumerization of IT. Druva's solutions for managing data outside the corporate firewall reduce the loss of corporate information assets and address organizations' compliance, governance, forensics, and eDiscovery needs

FROM A CODER TO A sales rep to a CEO and from Pune to Sunnyvale, California, 31-year-old Jaspreet Singh is the co-founder of one of India's first globally successful product companies—Druva. Jaspreet is often held up as a poster boy by the investment community in India for his nimbleness, ability to convert opportunities, and his versatility. Jaspreet doesn't think it is genius; he says that he's just been open to taking risks and putting himself through the paces of learning every role that came his way or was thrust upon him by circumstance. 'As an engineer I remember myself coding for 32 hours non-stop, I was so into it. I just wanted to get something out and I was just thrilled to see how the code was shaping up and I didn't get off my seat for hours and hours. There are parts of the sales job that I have enjoyed a lot—cracking really large deals with Dell etc. and understanding sales methodologies—I used to read a lot about that. And now I'm enjoying my leadership role—how to build a company, how to empower people, how to take back control if need be. I think at the core, I'm a problem solver.'

A problem solver and someone who's consciously chosen paths that he believes have been right for him even if they didn't appear to be the 'right' things to do at the time. 'I was absolutely passionate about computers compared to other subjects in school. The second most interesting subject was chemistry or physics perhaps, not math. When I got through to IIT, I chose a lower ranked one—IIT-Guwahati (he was part of the very first batch), but decided to go for computer science rather than take up electronics or mechanical engineering at IIT-Kanpur or IIT-Delhi just for the brand value of those campuses.'

This decision actually transformed Jaspreet's student life and introduced him to opportunities he wouldn't have otherwise been privy to. 'Our batch was really small, just 140 people compared to other IITs that had 450–500 students. So you could be noticed easily. You could put up your hand and take up opportunities, and those years completely moulded who I am today. I did a lot of extra-curricular activities: I was part of a music band, I used to lead the cultural and technology events on campus, and take part in a lot of things. Towards the last two years—2003–04—two events shaped me a lot: one, I got an internship with the Fraunhofer Institute in Germany. We were six friends—it was a great social, cultural exchange and we learnt about new technologies and my overall thinking cleared up a lot. In Germany we also ran a small kitchen out of our dorm room and that gave us a kick about entrepreneurship.'

The other event that influenced Jaspreet's outlook towards work, organization building, and leadership was his election to the post of student president in his final year at IIT-Guwahati. 'I had to raise sponsorship for our technology event and running door to door, pitching to marketing executives really taught me the basic rules of sales and customer engagement, building customer trust, and how to pitch a product and get the money in. We were still a new college and in North East India, so I would meet government officials and tell them why a technology event is important and then go and pitch a completely different line to Coke and Pepsi, and a completely different angle to Hero MotoCorp and so on. Then, as college president, I had INR 14 lakh as budget to allocate to sports, cultural events, and other activities. So even handling such a large budget was a big deal; taking calls was tough but it had to be done. Another lesson learnt was that one has to lead by example. A lot of people would point out every small mistake you made. Also you had to take responsibility for every minute thing—if a snake bit someone it was your responsibility, if the college lost a match it was your fault. So, leading by example and leading a team when I was just about 20-years-old was a very valuable experience.'

Jaspreet's stint in Germany had also convinced him to stay away from the TCSes and Wipros of India and instead make a meaningful contribution to the technology team at a startup. Again, that was not an easy decision given the tremendous peer pressure to get a 'good job', but Jaspreet's mind was made up. Along with two of his friends from Guwahati, Jaspreet made his way to a French product startup in Pune. ‘It was a horrible experience! The French guy was a big racist and he bullied us; he made us work from sharp nine in the morning to sharp nine at night. There were very, very poor standards of work and he was completely unethical. That experience made me realize that though there is a lot of glamour associated with startups there are these type of startups as well, startups that can easily be sweatshops of the worst kind. I worked as hard as I could but I lasted there no more than three months. But one thing I did learn from that stint—how not to do things and how not to treat your people,’ says Jaspreet.

However, this nightmarish experience didn’t put Jaspreet off startups. He joined Ensim, a 7-year-old venture that Jaspreet says, ‘had seen their best years and were now trying to prove themselves all over again. I built a product from scratch for them, met a great set of people, learnt a lot, and worked 16–17 hour days.’ But two years at Ensim and a change in management later, Jaspreet moved on to Veritas, a leader in storage software. He believed it was a dream job for him because Veritas was one of the few MNCs at that time that was doing hard core engineering and development work in India. Once again, though, it didn’t turn out to be the opportunity he had imagined, ‘I was surrounded by great technology and great people who I could talk to and learn a lot from but there was no pressure to produce. It was a large company so we would just sit there idle most of the time, working on stuff that never saw the light of day. There was some learning but not good development as a person or as an engineer.’

That’s exactly what Milind Borate and Ramani Kothandaraman, both in very senior positions at Veritas on the technology and business side respectively, were feeling as well. Jaspreet’s eagerness to learn and his engineering skills had caught the duo’s attention and as they decided to move on from Veritas and start up, they asked Jaspreet to join them on the journey. For Jaspreet, who was 26-years-old at the time, it was a no-brainer and exactly the kind of thing he had been waiting to get into ever since he passed out of IIT-Guwahati. In 2007, the trio quit their jobs and set up Druva in Pune in 2008.

‘Druva is a story of a lot of mistakes. We initially planned to start Druva around the concept of disaster recovery—that’s how we arrived at the name Druva which in Sanskrit means guiding star or North Star. We had seen a similar product at Veritas which was crappy and we saw a market evolving for disaster recovery with compliance coming into Asia and India.' The team got to work building a prototype and realized that building the product was easy but getting customer validation and selling it was not. 'Being the young guy in the team and someone who was an extrovert, my co-founders suggested that I visit a few customers even before we had finalized the product. Those meeting made us realize that we had created our business plan in a vacuum and to fulfil the market need with just a three-person team would be very tough—it would require significant capital, man force, and massive sales power to actually tell the world that a small three people startup in Pune can solve your disaster recovery worries better than big players like IBM, Symantec, or EMC,' recounts Jaspreet.

So the team decided to pivot in January 2008 and build a product that was not a me-too of products available from the bigger players but was in a space that was important enough for clients to want to buy it but 'not so critical and expensive that they would disregard a startup to deliver that product'. The product that resulted from their experiments was InSync—an enterprise software that IT administrators at companies could deploy on end point devices like mobiles, laptops, and tablets that employees bring to work. InSync worked in the background to automatically back up data, share files, and even had a built in analytics functionality. The Druva team was convinced that going forward two trends—the proliferation of end point devices at workplaces and employees bringing their personal devices to the work—would thrive. Based on this conviction, they raised some equity from the Indian Angel Network in July 2008 and got started.

Most of the money that was raised went into building the product; there was little left over for sales and marketing. The most the trio managed to do was edge Jaspreet towards full time sales follow-up and put up a good website. As it turned out, that was enough. 'The first two or three people who bought the software were offshore customers that bought InSync over the web using their credit cards. It was an eye opener seeing people buying online since such a mature buying process wasn't prevalent in India or Asia where personal sales calls were still the norm. So I started to spend my time whole heartedly following up on this. In the morning I would be a marketer and in the night a sales rep. I started focusing more and more on international markets; Ramani would handle domestic and the global business very, very fast became 80% of our market,’ says Jaspreet.

Over a year or two, as the size of the global deals got bigger, venture capitalists noticed Druva and the startup raised USD 3 million from Sequoia Capital in 2010. This investment set the firm on a path that not too many other product startups from India had embarked on before. ‘In 2010 the guys from Sequoia, especially Shailender Singh who’s been a tremendous guiding force behind Druva, convinced me that the Bay Area is the place to be. They said that there is critical talent available there that no other part of the world has—talent in product management, sales, marketing and on the leadership side. And it’s true; the amount and calibre of talent available here is just phenomenal. Sure there have been cultural challenges to overcome: in India you tend to wait on people; here you are expected to empower your team to do more and you don’t have to wait for them to do anything. Establishing myself here, building relationships and contacts, understanding my resources, and hiring people took a while, but it was the right decision to set up our headquarters here,’ says Jaspreet.

Servicing over 3000 companies in 76 countries, Druva’s big ticket clients include NASA, Tesla, Dell, Xerox, GE Energy, Accenture, and PWC, and these companies together contribute 70 percent of the venture’s business. ‘Customization is an absolute no but feedback absolutely yes. If the feedback is aligned to our vision and is good, then we take it and put in on the timeline of feature enhancements. But over a period of time, what happens is that the product becomes large enough that the customer himself can deploy some part of their resources to partly customize it. We open up APIs and customization options and I must admit that so far we have not done a very good job of this, but that’s the next step that we want to take as the company matures. We are now building a fully professional services arm which will help customers integrate the product better into their operations.’ Another strategy that has helped Druva in terms of customer acquisition is its move from a direct to an indirect sales strategy where Druva works with channel partners to boost sales. ‘The indirect model helps reduce the cost of customer acquisition by leveraging value added re-sellers who own strong relationships with the customer. You need to have a proven product to be able to get their attention, and Druva has reached that point.'

Jaspreet firmly believes that Druva is still a mid-stage startup and doesn't have the luxury of maintaining large teams. With a team of 300 and offices in the US, the UK, India, Singapore and Australia, Druva will continue to remain a lean startup to maintain its edge over competition. 'You have to run a startup lean, especially if you are a product company. My brother works for WhatsApp and they have just 28 engineers. Many Indian startups have a large services arm or a large business-focused arm which is customizing or dealing with account management and stuff like that which takes up a big majority of their man force. Secondly, a small set of people can be very valuable to the product. Over a period of time, as you evolve and become a thousand people company, marketing, sales and servicing evolve very fast but the core engineering team must remain strong and focused.'

Deeply influenced by legendary Silicon Valley entrepreneur and investor Ben Horowitz and his book *The Hard Thing About Hard Things*, Jaspreet draws from one of the analogies in the book to say that running a high growth startup is like going to war and at most times one just has 'a single bullet in the chamber that must, at all costs, hit the target'.

Q1. Jaspreet, you are the youngest member of the founding team. Were you ever apprehensive working with co-founders who were much older than you and then taking up the position of CEO?

A1. Quite frankly I joined Milind and Ramani more as an employee than a co-founder. I was just supposed to be an engineer and I was looking forward to their leadership to learn from them. At that point of time I was craving to be part of a real startup and contribute to building it up. I'd worked with startups but those experiences weren't great and India back then had very little exposure to startups. There was no plan on my part to become the CEO or the lead founder; I just wanted to learn from them. But things just turn out the way they have to; my becoming CEO was a mutual call. Ramani was no longer with us; he had developed Parkinson's and decided to move out of Druva. Since the early years, I was always more involved with raising money and was front-facing to customers, so it was a mutual call between us that I lead the charge. Between the founders, in the early years, we were equals so when I took up the CEO mantle, it didn't really mean much to me—it just meant that between the three of us I led certain customer facing stuff. I'd say Milind and I are still equals but our responsibilities are more defined now; five years back everybody was doing everything.

Q2. In terms of business, the first big breakthrough for Druva was the USD 100,000 deal that you signed with the UK-based BPO Capita Plc. I believe all of it happened just on the virtue of the website you had going then?

A2. It was a very important deal. The angel money from the Indian Angel Network had dried up and we hadn't anticipated how much money a product startup would take to build. We'd completely under-estimated it.

At that time we had seen some deals come our way from overseas but our sales strategy had little outbound focus. We believed that any software that you had to try hard to sell meant that you hadn't done your work on it well enough. However, if you've worked on it well and built a strong product with a strong differentiation, interest will come through organically. Then as a sales person all you need to do is make sure that all 100 percent of that interest is converted into deals. So I would get three inbound deal requests and I would make sure that all three were converted into paid clients; I would not leave a single thing to chance and that really helped me evolve as a great sales rep who had customer empathy and nailed the customer experience.

Capita was a pleasant surprise; they had been trying our products for a while and had bought over USD 10,000 worth of stuff from us. At the close of the year, I got an email from one of their CIOs that said that they really liked our technology and that they wanted to buy a lot more from us; they wanted me to travel to the UK to meet them and discuss the deal. I just did not have the money to make a trip to the UK or a visa. I told them that I couldn't make it but perhaps we could get on a phone and discuss the deal. Till date I don't know what he liked: the product, the company, or me, but he went ahead and transacted one order worth over USD 100,000 within three–four days of this email exchange and on excellent payment terms. That deal really fuelled our growth story. It helped us realize that there were much larger companies out there who were interested in our products and the need for Druva’s InSync was massive. We had given Capita a 80 percent discount because it was the first large deal but it struck us that even if we just gave a 30–40 percent discount, there was still a large market out there waiting for us to tap. In the next one year we got 3–4 more deals like Capita from the UK and the US and these deals drew Sequoia’s attention and they eventually funded us.

Q3. So that was cracking the product and business strategy but building the organization was not easy for you. You hired and fired your sales and marketing teams twice. What were your learnings from that experience?

A3. It was tough. Initially we hired from among friends and family and we hired from people we knew in the past; we got two phenomenal engineers and I can say that they are probably still the best engineers at Druva. The early team is very important and we very carefully chose people based on their traits, people who were passionate about startups. We were hiring not so much on skill but on personality match and culture match, their eagerness to build something, and significantly contribute to the company—the first 10 people we hired are still perhaps the best people we have. That was the thought process in the early years, but as we scaled, we realized that hiring the first 10 people is very different from hiring the next 100 people and there were tonnes of learnings.

A majority of the hiring and firing happened when I was building my go-to-market team. Being engineers ourselves, hiring engineers was relatively easier for us and we could build a good culture for that team with a good engineering focus, but building the go-to-market team that none of us had a good understanding of was a tough piece. I had transitioned fairly smoothly from an engineer to a sales rep myself—it came naturally to me to talk to customers and be evangelical about the product and sell it. But when it came to transitioning into the role of leading the marketing and sales teams and hiring that talent, it was not so easy. After the Sequoia funding, as I moved to the US, the customer facing side took multiple iterations to build and I hired generalists where perhaps I needed specialists. So understanding where you need generalists and where you need specialists was the learning. There was no one to guide us. Now when I look around. I realize it’s a science, there are people who have done it before and you get them as advisors and they help you build it up. There are models, articles, and books published and in the Valley it's cookie cutter, but just having arrived from India back then it felt like an art and there was a lot of trial and error to get it right. So during the early years, there were a lot of mis-hires while trying to get it right and I had to ask some to leave; I wiped out the entire marketing team in the US and built it again.

Q4. How difficult was it for you personally and emotionally to do this?

A4. Emotionally, startups are very tough; people see it as glamorous, a vehicle to make a lot of money, but internally I have just found it very, very tough. You are compressing 30 years of organic growth as a person and professional into 3–4 years; in normal circumstances for a CEO to be responsible for a team of 300–400 people—you would have to 45–50-years-old and I was made responsible in my late 20s. So the compression of 20 years of growth into 3–4 years is extremely unnatural. Also, startups are mentally and emotionally extremely tough; it's a complete roller coaster. I remember the first time I had a significant meeting with a prospective client—I managed to impress the CIO and he put me through to an entire team to whom I had to make a presentation. So I presented the product, gave the whole sales pitch, and no questions were asked; I said in the end that I would like to take questions. The senior-most person in the room stood up and asked me: '*Yeh kahan banaya software, apne ghar mein banaya kya?*' It was like saying please get out of here. I packed my bags and quietly left without saying a word. It was a brutal experience and one has to deal with it, there's no turning away from it.

I had become close to the people I hired in the marketing team—you work with them every day, it is difficult not to have a relationship. But then you also realize that you have not hired the right folks and it's a struggle to grow them or keep them or fire them—it's a tough one. They say that you need to be dispassionate but emotions are important because without emotions there is nothing.

Q5. At 31 you're a young CEO. A lot of the senior management you have today are older and more experienced than you but they perhaps don't know Druva the way you do. Has it been easy for you to vest power?

A5. I have learnt the important lesson that people who build a job list and execute on the job list are different and their roles need to be clearly defined. As you hire senior people, you have to give a big part of your job to them. If you hire the right person then you very quickly understand that you have hired someone better than yourself for that job and it's easy to vest power. If you have hired well, then it's a good experience to let go of certain things; for a short while you feel a void but then you find something interesting to do, the next big thing to do in the company, and that helps you grow as a person.

Q6. The niche market that you are catering to right now is a billion dollar market. Is it big enough for you guys to really scale up in without bumping too many heads with competition?

A6. I believe there are two kinds of markets—the red ocean and the blue ocean. The red ocean is something that is already well defined and is an established market. It is bound to have a lot of competition. For instance cars, it's a very old, established market or even in software—CRMs have been there for 20 years, it's well established and there is a lot of competition. And then there are the blue ocean markets, markets that are just emerging like cloud or mobility and these new markets are bound to be small and have little competition. But competition is very important because over a period of time, the evolution of competition defines the parameters of the market. So the more the number of players, the better the customer is educated on why this market is important and the greater the chance of solutions emerging and maturing. When we started five years back, the market size was no more than USD 350–400 million and no one was really paying attention to end points like mobiles and laptops as a market with a lot of potential.

We've pioneered the whole space of not just data protection but also data management or what we call in our world 'data governance'—it's not just about protecting information but also managing information and making meaningful use of it. And this market has grown significantly in the last 5–6 years by virtue of people understanding the need and being able to solve multiple pain points, beyond just loss or leakage of data, by using our product. So the market has evolved and so has competition and that has helped us educate ourselves better, carve out our differentiation better. There are a good 5–6 companies that are defining this space and so the market has evolved and grown. What will eventually happen is that like any other disruption in the world, this market will continue to evolve very, very fast and each of the players will take their own spot—number one, number two. Someone will be good in cloud, someone in discovery, back up, etc and the market will grow organically to a point. Eventually even if Druva captures 10 percent of the market, we'll be a USD 100 million company and that is five times the size of Shaadi.com or Naukri.com or any of those portals. So the market is significantly large for a startup and after we have gone through that phase and hit USD 100 million, we could decide to look at adjacent markets—mobility to servers and servers to something else. Right now in the early years, however, focus is important for us.

Q7. At what levels has differentiation been written into the Druva offering?

A7. Differentiation is very important, not only from the competitive perspective but also from the point of view of how you are perceived in the buyers' mind. Unless you can carve out a differentiation as to why Druva is important, why it is significant to our client's business, the USP does not evolve very well and one can end up spending marketing dollars on the same old messages. If you look at the best brands in the world, differentiation is palpable—BMW is the driving machine and Mercedes is the luxury car for the older guys. So successful marketers have very beautifully woven differentiation into products; so they compete but they compete on different mindsets and end up establishing greater value overall for their customers. So differentiation is of utmost importance to Druva. We've consciously chosen to build a mindset in the consumer's mind that we are not just about data backup but data governance and managing information.

Q8. As one of India's early product companies, what have been some of your most crucial learnings on building the product, the brand, and servicing clients?

A8. I will say that you have to build your own vision and customers can only validate it. If customers have their way, there won't be an Audi or a BMW or a Mercedes, there will be only one car, they will push manufacturers to make one evenly looking car. You have to have a strong vision of what you want to build and then the customers can only validate it—that has been my biggest learning.

The other learning has been to be extremely bullish and have the ability to take critical bets in the early years. As an entrepreneur you spend your life placing bets on things others wouldn't; otherwise everyone would be an entrepreneur. It's tough to say which product or strategy will succeed, so you have to do a series of small experiments which will shape up your product strategy and positioning. Let me give you an example of something that worked and something that didn't.

I think the biggest loss for us was deviating from end point solutions to building server backups because some of our customers requested us to. This was three years back. We prototyped a server backup system because even internally we had been thinking of dabbling in servers but didn't know if we could do it. We thought: Hey, what else can we build in end points? There's nothing more to build, let's move to servers. So we dumped our engineering efforts on end points for 3–4 months and started doing servers. We did build something valuable and it did sell well, but it was very clear to us that to be number one in that space would take a long, long time because there was a lot of competition and our differentiation for servers was not very clear. End points on the other hand was a new space and we had emerged as a differentiator and leader there. In servers we would have had great sales because it is a big market but getting to leadership position would have been difficult. So we pulled back and decided that unless we have a strong differentiation, we will not try again. So getting into servers when our forte had always been end points was a huge loss for our engineering team and our resources.

On the success front: When the cloud became very relevant, we debated for a while if it would be the key deal for large businesses. We took a bet to redesign our architecture for the cloud and have a Class A offering on the cloud in the market. Others were just putting the same product on the cloud as a hosted model but we re-architected for the cloud in a very impressive manner and the bet has played out really well. People appreciated our architecture, our approach, our positioning, and our performance a lot, and now 80 percent of our business has moved to cloud and that has really helped us grow. So that was the biggest bet that worked.

Q9. Today Druva has offices across the US, Europe, and South East Asia. What are the challenges in ensuring that Druva is still one company?

A9. Our aim is to ensure that no single office feels like the centre of gravity for Druva. So we have created leadership centres in each office, and made it clear to people that tomorrow if we open a German office or Russian office, it will be done with the objective of building a global company and not with the idea of vesting all the powers in any one office. So integrating people in decision making and empowering them to make critical calls is very important and we do it consciously.

We hold two annual events. In the global sales kickoff in the month of March in the US, we invite the whole sales team— whether they are based in the US, India, or London—to come together and brainstorm, strategize for the year ahead. For the developers and engineers, we hold a developers conference in the month of October in Pune where key guys from sales and marketing also come —it helps in integration and in understanding who does what very clearly. We have invested very heavily in video conferencing, IP phones etc. even though it's expensive for a startup of our size.

And then there are the softer issues. For instance, in the early years when we were just setting up in California, I hired our head of marketing and our HR team in Pune sent out this 'want to get to know you better' mailer to him. He immediately came up to me and said: 'You know that out of 10 of these questions, 9 are illegal to ask in the US—things about your wife, kids, age.' We laughed about it and changed the form but it made us realize that we need to be sensitive to these sorts of things as well when building up our local offices.

Q10. How would you describe the culture at Druva?

A10. Culture is extremely important to us. Empowering people and building culture is a very delicate balancing act—you have to tell people that work with you that culture is not just about foosball tables and volley ball matches but it is about making them successful and empowering them to learn and be something in their lives. There are two stories that I usually narrate about my style of leadership. One, Korean Airlines used to have the worst track record for crashes and accidents and when they did an audit, they found out that the aircrafts were fine, but the problem was that in Korean culture it is not acceptable for subordinates to speak up to seniors. The co-pilots never spoke up to the main pilot even if he was making mistakes—so the plane was being flown by one person. So empowering every single person in the organization is very important to us.

The second example is of General Scot Dane, one of the legendary US Army generals from the Vietnam War. He had two famous sayings—one, just shut up and shoot and the other, only the paranoid survive. So the lesson learned is that you have to have a style where you empower people so that you don't make mistakes and you don't penalize people for speaking up to you and guiding you. But at the same time, as a leader you have to realize that there are peace times and war times and in the end the general always makes the calls.

BharatMatrimony


bharat
marriages
New
Strategy
Delhi

Company name: Matrimony.com

Founder: Murugavel Janakiraman

Date of incorporation: July 2001

Head count: ~4,000

Geographical presence: Online globally with offices in India, US and Dubai

Mission statement: The future of a country depends on its citizens. Good citizens emerge from good parenting. Good parenting happens in a happy marriage and we are the gateway to happy marriages

MURUGAVEL JANAKIRAMAN'S BIGGEST DECISIONS in life have all been driven by instinct. His instinct has sometimes failed him but that, he believes, is part of the game. He's learnt more from his mistakes than his successes and the journey of correcting them or changing the course of the business is what keeps him invigorated as an entrepreneur. That, and the rather ambitious vision he's set for himself and the team at BharatMatrimony—India's largest online matchmaking portal. The vision in Muruga's words: 'If the marriages are successful, the citizens coming out of those marriages are good; those citizens build a better Bharat. So as an organization, our purpose is building a better Bharat through happy marriages.'

From anyone else this sort of mission statement might be dismissed as grandiose, but Muruga's earnestness is difficult to ignore. He launched the very first version of the website back in 1998 in the US as a sort of community service for NRI Tamilians, and while he has built a very successful business of it over the years, his original mission, to serve the community, seems to be intact. Alok Mittal of Canaan Partners India, investor in BharatMatrimony and on the company's board for close to seven years, agrees that in Muruga's case his money is where his heart is. 'A lot of Muruga's own conviction came from the fact that he himself got married through the platform. I have always seen that culture and passion are the things that drive a business owner on a day-to-day basis; they are not just ideals that are set in isolation of the business objectives. Four or five years back, we were launching all the community matrimony websites and I happened to be on a border post in Tawang on a hiking trip. I was speaking to the soldiers there and they asked me what I do; I could not have explained to them that I manage a venture capital fund so I told them that I work at BharatMatrimony. They said, "We have a request for you, why don't you open a *fauji* matrimony site?" Equally jocularly I came back and mentioned this to

Muruga. Within six months we had a DefenceMatrimony website up and running. So that ability to relate to and execute to your passion and vision was not justified by only thinking of how much money Muruga could make on DefenceMatrimony. So that's an example of a genuine commitment to the business and the idea of creating better matches.'

It's this same passion and drive that has driven Muruga to launch services like AbilityMatrimony.com, a free matchmaking service for differently-abled people, BharatBloodbank.com, and BharatEyebank.com.

Muruga grew up in Chennai; his mother was a housewife who hadn't studied beyond class one and his father, a labourer with the Madras Port Trust, had dropped out of school in class eight. Muruga then was the first in his family to complete high school. 'I am a strong believer of something that was taught to me by my guru: unintended consequences will produce far better results than intended consequences. My life has been shaped by these unintended consequences. I studied in a Tamil medium school and switched in class ten to an English medium school. I wanted to do basic chemistry after my 12th standard on the suggestion of an uncle who thought a laboratory technician would be a good career for me. But I did not get BSc Chemistry because my marks were low; what I got was BSc Statistics. On completing that, I applied for MCA (Masters in Computer Application) on the suggestion of one of my seniors in college and that really changed my life. It was during that course that I realized that I had a knack for programming,' says Muruga.

Job opportunities took Muruga to Singapore and then New Jersey in the mid-1990s and what he saw in the US internet economy of the time fascinated him. 'Everywhere I went, I met people with successful dotcoms; it was almost like people thought of a dotcom idea and the funds were chasing you; those were crazy days. I was so fascinated. People used to say all you need to be successful is a sheet of paper with a business plan and you'll get funded. In fact, I remember, in those days, landlords when giving rooms on rent used to ask for stock options from young entrepreneurs instead of down payments! Some companies with regular businesses at that time added the 'e' in front of the company name just to attract attention and funding. Of course in a short period of time some ventures broke out and most broke down which tempered down the excitement; but for someone like me just seeing these things happen was fascinating.'

It is no surprise then that he wanted in on the action too, 'I looked over at India where there were only a couple of successful portals like Rediff and Sify and I wanted to do something of my own in the internet space.' Using his skills as a programmer, Muruga set up a website for the NRI Tamil community which wasn't just a run-off-the-mill content-based website but an application-based portal with festival reminders, the Tamil daily calendar, and a small section on matrimony, 'At that point of time the matrimony section had only two pages, one page for brides and another one for grooms in a classifieds format. As the usage of the matrimony section increased, people started writing in with suggestions for things like search so I added those functionalities as I went along.'

In 2001, in the aftermath of the dotcom bust, Muruga was fired from his full time tech job in the US. He took up consulting assignments in the US and India but kept the portal alive, pumping in his own funds to sustain it but he soon realized that continued altruism was not feasible. Continuing like this, he would soon have to shut down the portal altogether. 'To sustain this venture we would have to slowly migrate to becoming a paid for service, so I took the bold decision to start charging people so that the business could grow. I had seen similar models in the US with dating sites where you could browse profiles for free but to be able to contact someone you had to become a paid member—that model made sense and we went for it. Obviously, initially when we migrated to this model, people complained that services on the internet must remain free and that by charging people we were being greedy; there was also the apprehension that people would not register in large numbers for a paid-for service. But I realized that I need to charge the subscription fee in order to grow the business and do justice to the service we were providing,' says Muruga.

Contrary to his fears, business picked up and Muruga moved back to Chennai; what he had also realized was that when people opted for arranged marriages, their obvious preference was to look at their own community or language-based affiliations to find a match. So apart from TamilMatrimony and TeleguMartrimony that were up and running at that point of time, he registered the domain names for a lot of other languages. 'But obviously I wanted to have one umbrella brand name because it would have been crazy to promote all these regional sites everywhere and that's how BharatMatrimony came about. Initially I had no idea how I would promote the other matrimony websites because unlike the Tamil website I didn't already have members enrolled but I said: it's okay, let's put it together and we will figure out later how to market it. That's how BharatMatrimony happened.'

Today there are over 15 regional matrimonial websites under BharatMatrimony and around 350 websites under CommunityMatrimony. From a one-man show, the company now employs over 4,000 people and is a clear market leader in the space. What's given BharatMatrimony an edge is its ability to understand the pulse of the market and come up with easy-to-execute solutions. 'We were the first online company in India to go to the customer's doorstep and collect payments; what is now called cash on delivery (CoD). We employed a field force to do this because back then, in the mid-2000s, people didn't have credit cards or were wary of using them for online transactions. Even today, more than 50 percent of our revenue in India comes from doorstep collections,' says Muruga.

For a venture like this, the other cornerstone is earning customer trust and that has been done by using innovative technology solutions. 'Today in terms of technology, what we use is at par with any of the global companies. Innovation-wise, whether it's a small thing like protecting your photo with a password or mobile verification through the IVR (interactive voice response) system or generating and matching horoscopes in real time, we've worked on servicing our customers' needs. Another innovation was facilitating 'virtual matrimony meets' because we realized that physical meets are limited only to a particular geography. For our virtual meets we announce the date and time in advance and any member from anywhere in the world can log in and interact with others. We also have something called 'veriprofile' which is a verification service or a BharatMatrimony stamp which enhances the credibility of a person's profile.'

BharatMatrimony's kept pace with changes in the ecosystem too—today 30 percent of new users come in via its mobile app and Muruga expects this number to increase manifold in the next couple of years. The other big thrust area for BharatMatrimony going forward is to expand its offering beyond just the online matchmaking space. The rationale is simple: the typical BharatMatrimony customer spends close to INR 25 lakh on a wedding and so far the venture has been content with just an INR 2500 registration fee; so the opportunity to capitalize on the trust that has been built up over the years and 'organize' what is otherwise a highly fragmented and unorganized services sector is quite big. Muruga recognizes this opportunity and is all set for his second innings here. BharatMatrimony over the last couple of years has slowly been diversifying into allied services like: MatrimonyDirectory.com, a Just Dial like service for the wedding space; Tambulya.com, an e-commerce venture specializing in gifting; and BharatMatrimony Expos, offline events to bring together service providers in this space. Some might think it's an unnecessary gamble on Muruga's part but he'd have it no other way!

Q1. What are some of the principles on which you've built BharatMatrimony?

A1. When I look back, some of the things that we have always done is focus on the customer and always look at what will draw them to our platform. We started addressing the reasons why someone would not come online to look for a life partner—they ranged from privacy issues to payment terms. So it took a lot of small innovations to tide over customer apprehensions. For example, password protecting photographs is a feature on Bharatmatrimony. com which demonstrates technology innovation and service innovation because trust is a big thing in this space.

I think the business model of collecting a subscription fee was a good one right from the beginning because this meant that we were running the business on the cash flow that we were generating without depending too much on external funding. And today, within the matchmaking space, we are running multiple businesses—we call it horizontal innovation and vertical segmentation. One of the horizontal innovations is creating EliteMatrimony.com. Today EliteMatrimony.com is India's only matchmaking service for rich and affluent people and while working on this we came up with the concept of AssistedMatrimony.com where busy working professionals or people with little time on their hands can use one of our relationship managers to find a match. This was six years ago!

Also in India, marriages still happen within the community so we came up with over 300 community matrimony sites where we have a different site for every community and every religion. The biggest thing that has enabled this growth is having steady subscriptions and that stems from the trust that we have been able to instill in our customers. Today we are the only portal worldwide where you have to give your mobile number to be a part of the network and we go out of our way to verify these mobile numbers so that there is no falsity and the trust stays intact.

I remember, 14 years ago when we launched this service, people would say who will come online to look for life partner— looking for a partner online was a last resort. Today I can say that it's the primary choice for people who want to look for a life partner and that's because of the trust that we have been able to bring into the matchmaking space. We collect over five pages of information— everything from personal details to professional and astrological details; people even upload their salary details because they trust us.

Q2. Muruga, I want to understand how you respond to competition. A few years into starting BharatMatrimony, there were other similar websites that came up. Very honestly, at that time did you develop cold feet? What was your response, emotionally and strategically?

A2. My thinking has changed over a period of time. Initially, looking at the competition we obviously worked harder to be better than them but the learning I operate on today is to always think 'for' and not 'against'. What I mean is, instead of thinking 'against' the competition, I think 'for' our success. Our main competitor got funded before us and I remember on January 1, 2006 the investment banker called me saying: 'Muruga we don't have any option now because the investors who had shown interest in the company have backed out, we have to start afresh.' But I had faith and the belief that one day we will be a very large company and that faith was unshakable. Yahoo! choosing to invest in us, followed by Canaan in 2006, was the early validation of this faith and belief.

Over a period of time, one thing that has always aided the growth of this company is having the right talent on board and business model innovation at every stage. The BharatMatrimony of today is not what it was seven years ago. In 2006, the thinking was that growth would come from having many verticals so we launched a jobs portal, a property portal, an automobile vertical, and a general classifieds vertical. But very soon we realized that running so many verticals requires very deep management bandwidth and capital. That realization came in 2008 when we raised the second round of funding. Since we couldn't go behind so many verticals, we decided to focus only on two—matrimony and property—and both of these became successful.

Today within the matchmaking space we run five businesses and these businesses compete with each other. Our primary competition today comes from within the group and not outside it. But at the same time you have to keep an eye on the changes that are taking place in the ecosystem, the new business models that are emerging. You have to be on your toes all the time because technology disruption can be very quick, social changes can be equally quick and can really impact the business.

Q3. In a talk that you gave at a TEDx event, you spoke of the importance of recognizing the need and ability to take 'u-turns'. Take us through some of the important u-turns in the life of BharatMatrimony.

A3. I remember something my wife told me once. Initially, I was running the website as a community service and was spending close to USD 1000 per month out of my own pocket. I remember my wife asking me why I was spending so much money. She asked me why I didn't have any business model and I told her that I was doing service to the community. So when I went into business and started charging money from subscribers, she again questioned me and I said: look, in order to grow I need to start charging people money. So that was the first U-turn I took.

Then, in January 2006, my investment banker called and said that our investors had backed out. Then Yahoo! came along and I first said that I don't want to raise money from a strategic investor who will pick up considerable stake in the company because I definitely want to run a company, make it successful, and not just sell it off at some point of time. But the investment banker insisted that that it was a great opportunity and that I should at least meet the Yahoo! team. So reluctantly I went and met them in Delhi and eventually Yahoo! came in not as a strategic investor but as a financial investor and that gave BharatMatrimony a lot of credibility for sure.

Q4. In 2007 you made a major foray into the offline market by setting up BharatMatrimony retail outlets across India. That experiment didn't turn out well. What went wrong?

A4. The assumption was that offline is much bigger than online and only a limited number of people are using the internet and that in order to grow the business we would need to expand our offline presence. I don't think that, in itself, this was an incorrect hypothesis. The mistake we made was that we took the franchise route to do this. I have nothing against franchisees in general but because we had no experience in doing anything offline, it was too early for us to parcel off BharatMatrimony to franchisees who perhaps didn't understand the brand and its deliverables too well themselves.

The second mistake was with regards to branding the offline outlets—we called all the centres BharatMatrimony irrespective of the market they were in. What we didn't capitalize on were the individual brands—TamilMatrimony, TeluguMatrimony, MarathiMatrimony—that had the requisite regional appeal by then. In turn, we spent a lot of marketing money behind each offline centre trying to promote it without sufficient return on investment because the message was getting lost. So we closed the franchisees as they were losing money and we realized that it is better to run fewer company-owned outlets. Also in our second innings, we went with regional branding in different states instead of the umbrella BharatMatrimony brand, except in certain cosmopolitan markets like Delhi, Bangalore, and Mumbai.

Today, online is definitely much larger than offline and the retail centres only compliment the online offering by providing a touch and feel experience. So offline is an important part of our strategy but we do not want to expand that business too much from here on—the thrust is on online because that market will continue to grow exponentially; the offline presence is only strategic in nature. For instance, if a customer logs in from Mumbai, we'll automatically show him the retail outlets in Mumbai so that he can visit the outlet if he feels more comfortable that way. So we have successfully leveraged offline into online.

Q5. For someone who is not from a business family, what have you taught yourself about building and managing an organization? What has been the steepest learning curve for you?

A5. The most important thing is to continuously keep learning. Often you have to make a conscious effort to cultivate this learning attitude and that is a challenge. I'm basically a programmer and I kept doing that within BharatMatrimony for a long time when I realized that if I don't quit programming then I will have to quit my CEO role. So that was one big learning —you cannot get to the next level if you do not push yourself to do new things, uncomfortable things, and that has to be a continuous process.

Even now I have to work on moving to the next level because today we have a very strong management team in place, we have many vice presidents and CXOs and in order to lead them and manage them, as a CEO, I have to be ahead of the curve.

So what are the things that have helped me in this journey of self growth? Reading books definitely. My favourite books are *Execution: The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan and *Blue Ocean Strategy* by W. Chan Kim and Renée Mauborgne. Those books have helped shape my management thinking.

Attending various forums and sessions has helped too. I'm a regular at the CII Bouncing Board Forum where about 30 accomplished CEOs meet once a month to talk and engage with each other. That's a great source of ideas and inspiration. I also attend other business and industry forums regularly. So today I am able to manage an organization with close to 4000 people; tomorrow that number may well be 40,000 and the skills that I will require then to lead an organization of that size will be different, so I cannot cease my personal growth at any point of time.

Q6. Muruga, I want to talk to you now about the expansion that BharatMatrimony undertook around 2007 into property, jobs, cars, etc. It was an experiment that didn't work out well, especially when the downturn hit in 2009. When you reflect back, what were some of the tactical mistakes you made?

A6. The 2009 slowdown hit us badly and we were losing money. We had raised a second round of funds but were losing a couple of crores per month, as a result of which the investors called for a board meet. I was given a clear warning—you have to cut down the losses, you are running out of cash and the environment outside is not that great, and if we end up going for a third round, we won't even get the valuation of the previous round. It was a massive challenge but I am thankful to my board for giving me that strong warning. I was, in fact, negotiating with the board, telling them that I cannot cut down on the expenses and if they think it necessary, they should bring in someone else to run the company. But they assured me that I could do it. They told me that as an entrepreneur I had created this company and I would be the one to make a difference.

That was the most difficult period for me; I would wake up in the middle of the night and think about what's going on and what I could do. I had to let go of so many people in the organization which was not easy for me as a first-time entrepreneur. The layoffs also caused uncertainty in the organization and there were constant rumours about more layoffs and shut down and so on. I was meeting with the board every week and giving them updates about the changes I was making to put the company back on track.

During that time, I was forced to look at every cost—till then as an entrepreneur I had focused only on a few aspects of the business which were my forte like technology and innovation. But when decisions regarding cost cutting had to be made, I had to deep dive into everything and that experience was an eye opener.

I realized that just by doing simple things there was so much efficiency that could be brought into the business. We just asked ourselves two questions: one, is spending required for this project and two, is there another way to spend and get better returns? This drove us to talk with our vendors. Our data team analysed the return on investment for all major activities and we got our costs down on rentals, online marketing, phone calls, and even SMSes. International markets like Saudi Arabia that were not giving a good return on investment (RoI) were knocked down. We basically found ways to optimize our spends and within six months I was able to control costs which was what the board had wanted me to do. And the surprising thing was that because of all these measures we took, we actually turned profitable!

For us, people costs and marketing costs are the largest and, unlike e-commerce companies where they get only a certain percentage of income as revenue, our subscription fee is actually our revenue; so it's really how we manage our expenses from the revenues we are making. The other thing is balancing profitability and growth. So, for me, 2009 was the most challenging period but I would say that it was also the most beautiful period where I grew from an entrepreneur to a CEO—the caterpillar became a butterfly. It was my experience in 2009 which has today helped me carry this company forward.

Q7. What are some of the most important lessons you learnt during this phase?

A7. The first lesson I learnt is when you want to expand your services, it is important to stick to the core category. We expanded into too many areas but fortunately we took decisions at the right time to cut back and today, we operate successfully in our core areas only. The second lesson I learnt is that cash flow management is critical to the success of the business and as tech entrepreneurs we ignore the importance of this. I did not prioritize the use of funds raised from investors and in less than a year, we used up all the funds that were meant to be utilized over two– three years. Also, coming from a tech background, I completely underestimated the role of HR in an organization and we did not have a HR department then. Later, while scaling up, I realized that HR is the backbone of an organization and today HR plays a very important role in the company.

Q8. What's the next big thing for BharatMatrimony? The online matrimony space is only an INR 300 crore market. Clearly it's not big enough for an entrepreneur that has billion dollar ambitions?

A8. The good thing about matchmaking is that it's a recession-proof industry. As long as humanity exists, people will get married; so during a slowdown or recession you are at an advantage. So firstly, the business is insulated from any recession. Secondly, in India 60 percent of the population is under the age of 25 and this youth is all getting online or onto mobile, so digital matchmaking will continue to grow bigger and bigger. Thirdly, we have invented various business models like EliteMatrimony, AssistedMatrimony and in that way we have grown the industry and as matchmaking grows bigger, we as a company will diversify from just matchmaking into other marriage service areas.

We already have three services in the wedding sector. First, Matrimonydirectory.com is India's largest directory of wedding-related information and services listing. We have over 50,000 vendors listed on Matrimonydirectory.com and it runs on a 'freemium' business model, where people pay money and get responses. Second is a tambulya.com, India's first venture for return gifts; people can buy return gifts in bulk from the website or from any three of our retail stores. And then the third new segment are the matrimony expos, which are offline events where we bring together people in the wedding services industry and people looking for wedding services.

So far we have these three services, and as we progress, we may look at some more services. From a company of online matchmaking, we have expanded into all forms of matchmaking and from all forms of matchmaking, we are expanding into marriage services. However, matchmaking is going to be the core on which we will build the marriage services opportunities. Obviously, the opportunity in front of us is quite big and we are excited about it. We have also forayed into the international market—PakistanMatrimony, BanglaMatrimony, ArabMatrimony are all in early stages but I am sure as we progress, we will grow those services also. As a company, we have a strong growth focus, a large appetite, and with the right energy and enthusiasm, we will definitely create a legacy.

Q9. What is the one thing you never compromise on?

A9. Definitely the trust we have earned. I never thought I would marry someone beyond my own city, but eventually I got married to someone through Bharatmatrimony.com. My wife was born and brought up in a different city altogether. She's from Gujarat, but we found each other through BharatMatrimony. People who log on for the first time need to see the trust and success stories—examples of how people benefitted from this service. Of course, I myself am the best ambassador as I got married through BharatMatrimony. So trust is the backbone of everything we do.

Q10. If you had to put down some mantras for young entrepreneurs to follow what would they be?

A10. Here's what my list of mantras would look like:

- Entrepreneurs need energy to overcome daily challenges in business, so being wedded to a higher purpose through your business is fulfilling.
- Have faith in yourself and your idea. The idea need not be unique but the entrepreneur should have enough confidence in it. Stick to your idea till the end.
- Speed of execution is very important; you have to sprint all the way to the finish line.
- Entrepreneurs should not be too emotional and must let go of what is not working.
- There is no right time to start a new business unit. It takes commitment and multiple experiments before identifying something that will work.
- More than skills, I believe attitude plays a vital role.
- You need to have the right team in place.

iYogi

Company name: iYogi

Founders: Vishal Dhar and Uday Challu

Date of incorporation: March 2007

Size: Turnover of INR 550 crore for FY14

Head count: >2700

Geographical presence: India, US, UK, Middle East, Australia, Singapore, Spain, Mauritius, and Canada

Mission statement: Great tech support. Good karma

'I HAVE THIS WAY of doing things where I let things bake in my mind for sometime, and only when I have completely crossed over do I have a conversation about it. Otherwise what happens is that you have conversations with people when your thoughts haven't been defined and that can seed doubts in your mind,' says Uday Challu, CEO of Delhi headquarted iYogi, a USD 100 million remote tech support business that he co-founded with Vishal Dhar in 2007. And Uday has had these moments of quiet introspection more than a few times as he has moved from one entrepreneurial expedition to another. His startup journey has brought him full circle from the first business he set up in 1986, a computer hardware servicing firm in which a small team of technicians went to a client's doorstep to resolve their problems, to iYogi, a modern day, highly automated avatar of that first business. iYogi uses the power of technology to help customers solve issues ranging from syncing multiple devices to getting rid of viruses and malware, all of it remotely.

An Air Force kid, Uday travelled a fair bit through the country before his family settled down in Delhi. 'I studied in various schools and met a bunch of people from different backgrounds and made friends with people who came from business families, so I got exposed a bit to what business is all about and how young guys can make a significant contribution in that area. So there was some drive inside me to get out and do something. The second thing was that I lacked direction in my life. I studied economics in college because my father had studied economics, so my education was devoid of any professional direction. While in college, I had dropped out for a year, given the chartered accountancy entrance and then gone back to economics. But as providence would have it, on graduating I took on a job at an IT company (CAL Systems) because I needed a job. I had no background in technology but as luck would have it, I landed up in the right environment and the right set up, a startup, and that provided me the right thought process at an early age,' says Uday.

Apart from the founders of CAL Systems, which was one of India's earliest computer hardware importers and distributors, Uday was the second hire and he literally had to earn his own pay cheque by ensuring he made enough sales. 'Customers weren't interested in buying hardware because there was no awareness about what technology could do for them; so at every stage you had to hard sell solutions. You had to really understand their businesses and then explain what impact technology deployment could make to their business. So that deep level of engagement with various businesses actually gave me the impetus to explore a business idea of my own. And there was always a hunger to do better in life—I was getting paid INR 650 a month at that point of time and drove a second hand bike—and be able to deploy my intellect better which drove me to startup.'

So Uday along with two of his colleagues from CAL founded Quaddro Digital System Pvt Ltd, a support company that took on third party annual maintenance contracts (AMC) for computer systems. Getting contracts was the easy part—they leveraged contacts and clients from CAL—but setting up an organization and scaling it up turned out to be more difficult than that they had imagined. 'Getting talented technicians and engineers to execute the degree of support services we had envisioned was beyond difficult. The watershed moment was when we were seven months into the business and a technician went out and blew up a customer's machine—a government official's machine was completely charred. At that point we knew that despite being profitable, this could not be it. We bought that client a new machine, returned the AMC money we had taken from that customer as well as other clients, shut the business down, went back to CAL to work, and then we stuck there for eight years,' says Uday.

In the early 1990s the entrepreneurial bug bit Uday once again and this time he dared to venture into a sector he knew practically nothing about—apparel retail. 'I had a very good friend in the garment business. He came up to me and asked if I was interested in setting up a retail chain in India. There was no large setup that was doing branded casual western clothing in India at that point of time. He knew the merchandizing and production part of it and he wanted me to manage the retail and sales organization, which was my forte. So I quit at the top of my job at CAL where I was virtually heading everything there was to head. It was also an inflection point for the industry—if I hadn't gotten out at that time, I would have continued working. I was in a comfort zone, I had never given a job interview in my life bar that first one, but there was a hunger in me to do more.' Uday's mind was made up. He took this mammoth decision without consulting family, friends, or peers. In three years' time, he built this apparel business into an INR 35 crore venture; this was the start of a decade long journey of experimenting and trying out different things across industries—IT, consulting, and boutique mentoring for tech startups.

He set up Concordia Consulting in 1997 along with US-based entrepreneur, Bernard Lunn. Uday says, 'Concordia Consulting was focused on helping and mentoring technology startups, helping them raise capital, formulate a go to market strategy, value their intellectual property (IP) etc. It was a two-man shop — my partner in the US and me here. We wrote an article for Data Quest and ten odd people got in touch with us and we started with a Hyderabad-based company. Our model was to take equity, 3–10 percent for our services and there was no cash involved. It was around this time that I met Vishal (Dhar) and helped him with his company (Friday Corporation) and we became friends. Then the 2000 dotcom crash happened and that dried up the venture capital (VC) market.' With the venture flight from India Concordia's business dried up, meanwhile the traditional services space that Uday was familiar with had become the playground for established players like Infosys and Wipro and the only space that was left to play in was what was coming to be known as the internet economy. And this was a space that Vishal Dhar was familiar with.

Vishal, now 45-years-old, was born and brought up in Kashmir; his parents still run a school in Srinagar. He attended university in the US and returned to India in 1995 to work with Mudra's public relations arm. Then he was offered a chance to build up UK-headquartered PR agency, Text100's business in India. 'My early work experience was in marketing and PR and that led me to Text100 which was a PR agency focused on technology companies. The opportunity came up at a time when there was a lot of interest in this space and investments were coming into IT companies in India. Technology companies were also looking for marketing services and we were the only act in town that specialized in that niche so we grew very fast. I was one of the founding team members and four–five years into Text100 we realized that there was a new breed of companies that we were working with which were not your SAPs or Microsofts or Dells or traditional OEMs (original equipment manufacturers) or system manufacturers but online companies that needed different eyeballs and different matrix to evaluate what they were doing. These online companies measured success in terms of time and engagement of customers but they were lacking great content,' says Vishal.

That was Vishal's cue to set up his first entrepreneurial venture—Friday Corporation, a company that provided content to these new age internet companies and did it in an in an automated fashion. Vishal says, 'So we built a syndication model where one could select content based on menus and categories and populate a website almost instantly with content.' The venture enjoyed a good three-year run before folding up.

At loose ends, Vishal and Uday decided to come together to set up IQ Resource in 2003, a business targeted at the B2B media industry. IQ Resource was essentially a niche BPO (business process outsourcing) venture or what is now called a KPO (knowledge process outsourcing) in the publishing space. Running analytics and research for international publishers, the top twenty B2B publishing houses in the US and the UK were clients of the firm and it was a profitable business from day one. Uday says, 'It was a very profitable business, 50 percent net margins, huge cash flows; we started with INR 2.5 lakh borrowed from Vishal's dad and we didn't have to raise any capital after that. One of our clients was a huge technology publisher in the UK and he had as part of the services he offered to readers a tech helpline. It was an 1800 number where readers could call in and have their technology-related problems solved but the firm in the UK to which he had outsourced this helpline was doing a really trashy job of delivering this service. It so happened that on one of his India visits we discussed this idea that we were toying with for a while. The idea was to provide tech support remotely, not by voice, not by someone sitting in a call centre talking you through how to solve a problem you had encountered on your device. Vishal and I believed that that model was completely flawed; it was like a dentist explaining to you on the phone how to do a root canal on your own. We believed that tech support, the way it was being done, was that painful and inefficient.'

The UK-based client saw merit in the idea of remote tech support and gave them the go-ahead to create the systems out of India to service his readers. However, the duo thought about it and realized that there was no reason why they should restrict themselves to providing service to just this one client; 'We thought, this is a genuine market, why don't we create a consumer brand out of India which is internationally focused? And what better space to do it in than services because India is known for services. Also it was a marriage made in heaven because I understood the technology and services element from a process standpoint and Vishal understood how to market and build a consumer brand. iYogi was born.'

Headquartered in Gurgaon with an employee headcount of about 3,000, iYogi's biggest markets are the US, the UK, Canada, Australia, and the Middle East and it is the first direct-to-consumer services brand from India, providing remote tech support services to home and small business customers. Technicians at iYogi use proprietary platforms to essentially take over a computer and fix a problem. While they do have a force of local on-call technicians that make home visits to fix certain problems, it is not iYogi's predominant business model. What iYogi has been able to achieve with innovative marketing of its brand is that today they are not a disguised third-party agent providing call-centre support for big consumer brands like Dell, Samsung, etc. Today when a customer in the US calls seeking technical support, he knows that he is talking to someone from iYogi about 14,000 kilometers away in India.

From an initial strategy that relied heavily on Google Adwords and the like to market the brand and reach out to potential customers, the focus today is on growing the brand appeal. Vishal says, 'There are many ways of building a brand and I don't think there is any perfect way, some people do it with a lot of money so they can advertise their product, create their niche, etc but in our case when we are marketing with limited capital our objective is: how can we become a purposeful brand, how can every engagement we have with someone have some purpose to it? So we took our knowledge base and re-purposed that online. We have taken our entire knowledge base of 13.5 million service requests and created a hierarchy of solutions and republished these 100,000 solutions online in the form of short videos on our YouTube channel. These are now free for anyone to access and we feel that gives any consumer a purposeful engagement with the iYogi brand. Because at the end of the day, this is what the longevity of our brand is going to be built on so a lot of our focus has been on building these assets—content, videos, free tools and utilities. Even the sales engagement is driven by that purpose.'

Apart from the consumer side, another area of growth for iYogi has come from its partnerships with telecom companies like Spain's Telefonica. iYogi delivers co-branded SaaS (software as a service)-based support services aimed at the telecom operator's user base. It does so by leveraging its proprietary technology platform—Digital Service Cloud. 'We recently partnered with Telefonica in Spain because they are at the frontline of dealing with millions of problems, 30–40 percent of the problems that they encounter everyday are nothing to do with their connectivity issues but they are to do with other problems like setting up and installing support, troubleshooting software errors, connecting new devices to the network, PC optimization, migration of data and settings, and usability training on how to best use a software application. So our pitch to these big telcos is not to turn that customer away as you have a relationship with them over the years and we can actually assist you in providing a services layer on top of your core service,' says Vishal. iYogi expects to generate USD 100 million in revenues from these sort of partnerships in the next two years.

Having raised close to USD 100 million in five rounds of funding, iYogi has been IPO ready for a few years now. Uday and Vishal believe that with the absolute disruptive growth in technology and platforms along with the increasing dependence on technology, iYogi is set to hit the billion dollar mark by 2020.

Q1. What attracted you to start up a venture in the tech support space?

A1. Vishal: We realized that technology support was a big need given that the traditional ecosystem was coming apart. Providers of support like large OEMs (original equipment manufacturers) or software publishers because of margin pressures had reduced both the scope of support and service levels, so customers were bereft of tech-related support for their devices. Coupled with this, as a customer, you are in an ecosystem that is not homogenous, your PC and phone are on different operating systems and your dependency on technology is growing. So all of this led us to believe this is an amazing opportunity. Of course, there were many challenges with the model we envisioned—it was a new service category, third-party vendor-independent support hadn't been delivered in an efficient, scalable fashion so far; it had always been delivered by a local repair technician. So those were all the things that we had to work into our business model and that's what led us here and it has now been seven years.

Q2. You spent the first year piloting iYogi. What were some of the key insights you guys gathered which crept into the actual business plan?

A2. Vishal: We surveyed a lot of customers, thousands of them, and funnily enough we expected real technology revelations to come from them—that didn't happen. What people were saying were things like, 'I don't like long hold times to reach my technician', 'I don't like the buck being passed from department to another or from one vendor to another', 'I need a permanent relationship manager who can deal with all my problems'. So we took all these suggestions and put them into practice. If you look at our call wait times, they average a minute; we don't have a complicated interactive voice response (IVR) system. We have personalized technicians so that you can have long term relationships with them; we capture all your device information seamlessly through our software platforms so that when you call iYogi, we know what your history of issues have been, what your behaviour around technology is, what you use technology for and so on—you don't have to repeat the same fundamental information over and over again for us. So those were the insights that we got from the customer surveys but the insights in technology came from looking at how the market was shifting from being in a very tidy ecosystem of common use applications to the explosion of the internet, mobility, and the collaboration and consumption of services and media. And this is what continues to morph home devices, home networks, energy management, wearable technology even today — that's what makes it all so exciting. The opportunity that we foresaw at that time (2007) as big has now become so expansive—last year alone, globally shipment of technology devices was 2.4 billion, which means one in every third person in the world bought a new device last year.

Q3.What was the thinking that propelled you to not offer a typical BPO/call centre voice tech support service and instead re-invent the wheel to deliver remote tech support? What about the the labour arbitrage play which is the cornerstone of India's BPO industry?

A3. Uday: In India, BPOs had taken off—Daksh, Genpact, etc—I had friends in these firms and had access to their business models. One of the things that I observed was that these BPOs were doing exactly what the software industry had done in the first 15 years of its evolution—put bodies on hire! I thought as a country we had evolved to a point where we could start changing this way of delivering service because even the software industry was trying to change from being a 'dollar per hour body hire' to doing transaction pricing, creating platforms and IPs so that they could have higher margins based on domain expertise. But the BPO business was starting right from the beginning, saying: you want a guy, we'll replace the US cost of INR 30,000 with INR 10,000. The whole thing was about making money by doing it cheaper rather than making money by doing it faster and better and smarter. That to me was the glaring misfire. In fact I believe that even in the software industry, the big companies did not do enough early on, so the large MNCs came and put up their own local units here. Now in India a tonne of these businesses are very successful because the Indian companies did not create a differentiation in their strategy early on.

So we saw the BPO space and realized that we could do something different there. We had never run a tech support operation of the scale we envisioned and that was scary. So we went looking for people and we met this lady Shruti Dwivedi who used to run a part of Microsoft support for Convergys. She loved the idea because till then there was only limited support available and for the user that meant being transferred from company to company before his problem was solved. She felt that this service that we were looking to provide would mean that we could fix the customer's issue without transfering the call; she said that if we could sell it she would deliver it. This whole thing came together in a week—from ideation, to the brand name, to building the website, and hiring the first person. She brought in more people, 18 or 20 of them, and the team was ready in 60 days. We had a runway because we already had a profitable business (IQ Resource) financing this activity and we had leeway to experiment.

Q4. Uday, in your first entrepreneurial stint back in 1986, you set up a tech support company that failed essentially because of lack of good talent and the difficulty to scale up significantly without that variable being firmly in place. What was the experience at iYogi?

A4. Uday: We hired very smart technicians at iYogi; we interviewed 800 people and hired 35. We have a unique training programme that lets us take a person with zero experience—who has never done any technical trouble shooting of any kind—and turn him into a top grade technician in three months—that is where our uniqueness and IP is. Our thought process was never to hire the smartest technician and put him on the job. That is what everyone wants to do—everybody wants to hire the best guy, pay him the best amount of money and put him in front of the customer: that is not a scalable option. So our 800 to 35 ratio was not about finding the best technician, it was about finding the guys with the best attitude who would say, 'I don't mind staying back another hour, let my cab go but I will resolve this customer's issues.' Our programme managers who run operations cannot go home until every outstanding ticket which has been logged in the day has been resolved. He can achieve this either by sitting with a *danda* or by ensuring that the person sitting below him also feels the same way about servicing a client request. That's the culture we wanted and that's the calibre of people we had to find.

The second aspect is that we have a very high variable pay in this company. We follow what is called a balance scorecard—25 percent of a technician's salary is paid on customer feedback. Now is the technician ready to take that risk in his salary? Is he ready to say that I am happy to work in an environment where my output will affect my compensation? The entire organization works like that—we all have a scorecard, from the *chaprasi* to me. We spent one year thinking through every nuance of this business and today we are seven years in execution and the same process that we thought through seven years back is still working for us.

On the question of labour arbitrage—we started with the US market and we are live in 17 countries now. Instead of hiring people in India, we have opened a centre in Madrid and hired 150 people there to service the Spanish market. So we are reversing the thought process that claims that labour arbitrage is the reason why service businesses exist out of India. It’s more about creating a business where a customer’s complex need can be solved by talent that has the capability to deliver. If you arbitrage that complex need and break it down and say, ‘This I will do locally and this I will do out of India’, it may work initially but then as you scale up everything tends to go offshore because the economies of scale just work out that way. We have reversed that process by saying that we will do some things onsite and some offshore and we will do it using technology and processes And if you do it at the right price point, with the right degree of automation, it is possible to take a USD 20/hour person and make him deliver at the same economic impact that a USD 10/hour person can do. That’s also why we can pay very well—it’s the reason why this company is among the best paymasters in the country—our policy is that you come work with us and we will give you a fantastic work environment, fantastic opportunity to do work that you have not done before, and if you excel, then in 7–8 years you can be heading a large part of this business.

Q5. How much of the technology behind all of this process and servicing is unique to iYogi vis-à-vis competitors in the US?

A5. Vishal: To be relevant to consumers in the future, you need a product that continues to evolve—if wearable devices evolve or if medical devices become more prevalent, we have to be able to support those. So we have to continue to evolve in terms of what technologies we support—it is important from a product innovation perspective.

However, the competitive landscape has also changed a lot; when we started off, our major competitor was an offshoot of a large consumer electronics retailer and their way of supporting customers was to send somebody to their home or store to fix things. What we were offering was differentiated from that as we were saying: you don’t need to wait for someone to come over to your home; you can solve this problem immediately through the internet. So that offering itself was differentiated at that time and it had not been ratified as the preferred thing the consumer would want—it was only in large enterprise spaces that this method of problem solving was being used. So that approach to tech support itself was fairly new. The other thing that was different was that we were offering a subscription-based service; most support or service requests are generated on incident basis and people wanted to pay only for that one instance so we had to cross that bridge and convince the consumer that for a little more you can get 24/7 unlimited support for an entire year. And executing that successfully depended on the relationship you built with the customer and how you managed to leverage that through a lifetime in terms of revenues and support. So those two things were not the prevalent way of how third party vendor independent support was being driven in that ecosystem and I think we did make a change.

Today, we are the largest independent remote tech support provider in the world, but there has been competition that has emerged. There are some who have different methods of addressing the market—there are still people who roll trucks to people's homes and solve their problem, while others do it by phone. Then there are hardware providers who are addressing problems related to their products. A lot of telecom companies are looking at addressing this market in different ways—so there will always be competition. It's a very, very large and growing opportunity; but as long as your product is differentiated in scope, quality of service, price, and you have the ratification of the consumer—you don't need to worry about that.

Uday: We have 150 people in our software engineering team, another 35–40 in analytics, and then another 100-odd people on the product side. This company has about 300 people whose job everyday is to find out which customer went home today with an unresolved problem and which technician was not able to resolve an issue on a repetitive basis—was it a skill gap or a will gap? They continuously look at what technology is being released by large companies like Apple, Google, Microsoft; where is the world headed—what is going on with wearable devices, medical devices, how will the interfaces morph? And we use all of this intelligence into driving the innovation required in our platform so that we are prepared when the next call comes in from a customer who is facing a brand new problem because he has bought a brand new product.

We run one of the largest product engineering shops in the country and we work across platforms that touch everybody— from Windows to Linux to the alphabet soup of mobile operating platforms that exist today. Also, besides selling consumer services, we are also now licensing our platform, processes, technology, and capability in a packaged solution through the Digital Service Cloud to other companies for them to service their customers. We started this because we realized that after five years, no matter how large we become, we will still be servicing only a part of all the consumers worldwide. It was like saying: I have created the world's best AIDS medicine and I will sell it only through a patent and make a shit load of money. Instead, you can make it open source and sell it for free in Africa and make money elsewhere.

Q6. But wasn't that a tough decision to make? Because as an entrepreneur you are then pushing yourself out of the cycle of just growing your business bigger and bigger and getting into the space of actually evangelizing the technology that you have worked so hard to build.

Uday: You have to have some very strong convictions—one, have strength and belief that your ability to innovate will continuously be ahead of the curve. And, I think there are only two or three places in the world where this can be done—India is one, you can do it in the Valley but at a very, very high cost. China is doing great work in the product engineering side but on the software engineering side I think we have a great skill set at a great price point which is difficult to replicate. The second is that we service 20,000 customers everyday who have all kinds of problems and all of that data is going into a data base. We run extensive analytics on that data and that helps us see where things are headed in terms of use of devices and so on. So it is not just about writing code, one has to be able to write code with the objective to achieve something and that objective needs vision and foresight to see where technology is going to be 3–4 years later. And if you listen to your customer carefully, he will tell you what innovation he wants—we have been able to do this and that is why we are winners in this space.

The third thing which is very difficult for any start up or entrepreneur is giving away a part of your baby. I think you have to recognize what your skills are and to what scale you can take the company. So we will create a billion dollar services company but may still touch perhaps10 percent of the market—for 90 percent of the market we will still be out of reach. So the question is: can we take what we have got and make it available to the remaining 90 percent of the market, through companies who will pay us for it? We are not licensing this for free. For instance, Toshiba is now using our platform to service their customers and it is profitable for both them and us. And then on the other side we have made part of the platform free, it's a club for individual customers who have smaller issues— forgotten passwords, syncing devices. Now for stuff like that, if the customer has to call a paid support line, it hurts because as a company you are charging a customer for lack of knowledge not lack of ability. So today if a customer calls us with a very minor issue, we resolve it free of cost and let him know that next time he can call us for something bigger. This free-for-all platform is now available online in several languages like Chinese, Korean, and African languages. The purpose behind this is the smartphone revolution which is really going to take off in these markets. What's happening now is that since they don't have the ability to pay for service, no one cares about them. They are the pre-paid, low end of the market; but they are buying data plans. They may be buying them in smaller denominations but they are buying them and they need service too. So our licensing approach is focused on these markets—the high end premium market and the second where people want self-help and can't afford to pay USD 10–12 per month but can pay just about USD 1 per year.

Q7. So will the next big growth driver come from iYogi licensing out its proprietary offerings?

A7. Vishal: A large amount of capital that we raised has gone into building this platform. It has everything built in—from support automation to knowledge base, how to manage a service request, and how to manage a lifetime of service requests from consumers—something we feel that is actually lacking in other companies that are also servicing the customer with the same intent. Now the market is so large that despite us driving it from a direct to consumer acquisition perspective and augmenting telco partnerships (like Telefonica in Spain), there is still a large market to be serviced and those customers will instinctively go to more traditional providers. So if we can assist those traditional providers to actually change the way they support their customers through our platform that will be a win-win for iYogi and well as our partners.

Will it cannibalize our business? Yes, potentially; but I think the market is large enough for us to risk that. Also, the fact is that we do make revenues from licensing. So while there might be cannibalization, it is also helping us garner greater market share than what we can do directly by ourselves because there is an inherent limitation to how effectively you can grow and scale and in how much time.

Q8. Are mature markets still your mainstay or will the next leg of growth come from markets like India, Africa?

A8. Uday: Let me step back to the objectives of our startup. When we started this business, we were clear in our minds that we will go after the wealthiest, most influential and the easiest market to attack, markets like the US and the UK. I say easiest from the point of view that they already have broadband connections and are easier to penetrate and the most discerning because they are paying and have a high degree of expectation. So you build a business on the back of the most discerning customer base with the ability to monetize it very well and that is the right way to approach any market opportunity in any area. Then you start looking at the adjunct markets—we always knew India, Africa, China would be markets. I'm a student of technology and I believe that computing is going to be accessible to everyone as it gets affordable and the duration of every evolution is crunching—the pricing revolution in smartphones from INR 60,000 to INR 10,000 has taken two years. And there's a lot to learn from other industry sectors too. Look at what Mercedes and BMW are doing. They are coming out with compact cars and selling luxury at different price points to markets they had never anticipated because they too realize that the growth is now pouring in from different markets—Africa, China, India, Indonesia—where a majority of the population is in this luxury-on-a-budget spectrum.

The good thing is that we engineered our business from the first day knowing that we would have to play in all these markets; that we would have to be multi-lingual; that we would have to offer some of our services for free. We have a video portal now on YouTube which took us two years to build. It gets nearly a million unique customers coming in every month and it was built not for the premium market but for this new market.

Q9. That's as far as direct customers are concerned, but what about small and medium businesses (SMBs) that contribute about 15 percent to your

revenues? In what way will you have to tweak your strategy to reach out to SMBs in Asian markets who traditionally don't loosen their purse strings very easily?

A9. Vishal: We must have spoken to about 800 small business owners in the last year and what we have realized is that there is a big unexplored opportunity for a services business like ours. In more mature markets, small businesses have been approached by service providers with solutions for various things over a period of time—building a website, virtual conferencing, etc—from niche players with targeted services and the small business owner is comfortable dealing with multiple service providers. In this part of the world, what we hear is that business owners want all the technology to come from one person. They don't want multiple engagements and if someone can bring that together for them, they will be delighted. So we are looking at how one can qualify a business based on verticals. Now vertical classification needs to be more granular; for instance, you need to understand in the restaurant space if it is quick service or casual, are they doing online deliveries, do they need a mobile payment option, a website, etc. And if we can look at all those things and bring it together in the form of tech support for that customer, the more rewarding it will be for us. So we are looking at addressing this SMB market by looking at a business owner's needs in granularity.

Right now we provide support for 500 different types of technologies—things like mobile payments or video conferencing. The question is how these are packaged and presented to a small business customer so that it is relevant to his business. So if I understand his needs, I don't need to change the scope of services I'm offering—it's just about how I package it and bring it to market that is different.

Q10. What excites you most about where iYogi is now and what excites you most about the next 5–10 years of the company?

A10. Vishal: Very few people get the opportunity to create their own brand; it is a rare opportunity. This was not my first business, nor Uday's, but it came together for us fortuitously and it came together with the right opportunity, right people, and the right product. Even though we have been seven years in business, we are young and there is another 10 years to realize the full potential of the business because the opportunity and business keeps growing and amplifying based on new device shipments and the explosion of, and the dependency on, technology. We are still very far from where we see the company at its full realization or the true potential of what we can do.

Secondly, the motivational thing was creating a direct to consumer services brand from India and right now, it seems like what we have achieved is just a sliver of what can be done given all the other chaos around enterprise outsourcing players, ITeS, knowledge services and so on. However, it will be truly gratifying if we can get ratification for a direct to consumer services brand from India in both scale and size and have other industries replicate our approach. And if this small sliver that we've managed becomes a large part of the industry in the future—which I believe can be done now, given that the economics are so different today and the routes to market are so different—then that's the emancipation that we want at a larger level to succeed.

Uday: Evangelization of the technology and the platform that we have built and taking it to different parts of the world at different price points; getting an iYogi app on every smartphone in the world, whether the customer speaks English or not, whether he can pay for it or not, he should know he can go to this place for help—that is the dream for this company. If we can get there it will be the most satisfying thing for us. And if we get there, then this company would have achieved its primary and ultimate objective which is to create a global consumer brand owned out of India but delivered globally. So our approach to the future is that if we get this right, then we have arrived in life and I don't think we can hope for a better result out of what we want to do from a business standpoint. This will also translate into shareholder value and economic value. People working here will make a lot of money—our employees hold a significant amount of stock in the company, more than what Vishal and I hold now—so they will be happy.

Q11. Do you have any regrets from the last 7 years? If you had a chance to do it all over again, what would you do differently?

A11. Uday: We are now operating in multiple countries—we are in Spain, two other European countries, we have a delivery centre in Latin America, and we are looking at launching services in three large countries there. We could have done all of this earlier; the company organizationally from a capability standpoint was ready 2–3 years back, but we didn't have access to the capital to do it. It's only in the last 2–3 years that we've raised USD 100 million in capital, which puts us in the top 10–15 companies from the quantum of capital we have raised, but that is not a huge amount. If we consider what it takes to build a global consumer brand—it's really peanuts. But that's okay because we are still ahead of the curve and innovating continuously; also one of the advantages of getting in later is that the markets are mature so you stand to benefit faster and bigger.

But there are things that we could have done better from our personal lives point of view. For the first 2–3 years of the company, we used to work seven days a week, then six days and we put in very grueling work hours. Even today we come in at 10.30 am and work till 11.30 pm everyday. I haven't been in touch with a single friend after we started this company, my kids have grown up, so those are things that could have been done better had we been in better control of our personal interaction with the company. This is true of the rest of the leadership team too—we have lead by example and they've done the same.

We wish we had done it differently, but whether we could have done it differently—I don't know. Maybe we would not have been able to achieve what we have achieved. At the back of your mind, it's the price that you have paid and it's important to always acknowledge that because the bed of thorns will never go away and at some awkward point you will have to face them. That's reality.

redBus

Company name: redBus.in

Founders: Phanindra Sama, Charan Padmaraju, and Sudhakar Pasupunuri

Date of incorporation: 4 August, 2006

Size: Revenues over INR 600 crore

Head count: 650

Geographical presence: India

Positioning statement: India's largest bus ticketing company

JUNE 30, 2014 WAS Phanindra Sama and Charan Padmaraju's last working day at redBus, a company they founded with Sudhakar Pasupunuri in August 2006. It was a year since the founding team at redBus had sold the venture to Ashish Kashyap's Ibibo Group, a subsidiary of South African internet and media conglomerate Naspers. At over a USD 100 million, it was the biggest deal of its kind in the Indian startup space and no one was surprised at the valuations because what redBus has achieved in eight years is stupendous. In these years, redBus has organized the Indian bus travel industry which is notorious for its fragmented and arbitrary nature. Today over 1,500 bus operators in 24 states use the redBus platform; redBus has made tickets available online for over 80,000 bus routes across India and has sold over 3 crore bus tickets till date, the last crore coming through in just nine months, mostly through the redBus mobile app. No mean feat for these engineers turned entrepreneurs.

That day in June, Phanindra, co-founder and former CEO of the venture, stood before the redBus team to make his farewell speech. As he stood there with a zen-like smiling expression, he realized that completing the cycle from startup to exit and moving on wasn't as difficult as people imagine it to be. 'Incidentally my father-in-law also retired on the same date from his bank job and he was very sentimental about it. The family felt that I must be even more sentimental because I had built the venture up from nothing to this stage, but on the other hand, I was okay, it was okay—it was planned and the date was fixed and we exited and that's how it was. However, during our send-off, I had to make a speech and I was reflecting on what had happened in the last eight years and I couldn't believe that we had actually created something like this in just eight years. My core message to the team was that redBus started with just a thought and if we could do it, then anyone in that room could do it too. I told them about a startup team I had met only a few days earlier whose office is just two blocks away from ours in Bangalore. Those guys are sending a robotic arm to outer space—imagine that being done by a small startup just two blocks away from us—it seems quite unbelievable. I wanted the team to be inspired and know that anything is possible if you set your mind and heart to it.'

Hailed as the poster boy of the new-age Indian tech company, one that has successfully cashed in on the internet economy and redefined delivery of software as a service (SaaS), Phani's decision to sell redBus had led to a lot of debate in startup circles. Some saw it as validation that the Indian tech startup space was indeed poised for takeoff. There were others though (including legendary investor Kanwal Rekhi of Inventus Capital, one of redBus' investors) who thought the founding team exited too early—the size of the untapped market is gigantic and an effort could have been made to get to an IPO (initial public offering). Phani, of course, says it like it is. 'One of the things that struck us when we were evaluating our exit was the title of the book— *What Got You Here Won't Get You There*. I think we were great at thinking of an idea and getting it going from ground up, being cost conscious, and building bottom up, but that could only take us this far. I think from here on for redBus to really grow it needs a different sort of thinking. Spends on marketing need to increase, there is a need to not look at things too conservatively and this will help redBus shoot out, grow internationally, and be a larger organization. I think a different mindset and a different thinking is required and that is what the company is getting now under the new board and ownership. The decision to exit was the right decision for redBus' growth.'

But the journey to build redBus to this stage hasn't lacked creativity, skill, or passion. Phani and Charan may think of themselves as accidental entrepreneurs but eight years of building a business in India that solves a 'real' Indian problem and following their instincts more than they followed norms has put them into a league of entrepreneurs that stand out.

'It was Diwali, 2005. It was the first Diwali since we (all BITS Pilani alumni) had started working in Bangalore and all my roommates had gone home and I too was frantically hunting to book a bus seat back. I went to the travel agent but there were no seats available. During the back and forth, I discovered that the way travel agents searched or scouted for seats was very tedious. The information on buses was not available in an organized manner to all travel agents and being an engineer, I thought we could create a computer system to streamline all this information and present it seamlessly to all the constituents—the consumers, the travel agents, and the bus operators. I wrote an email to all seven of my flatmates, all from BITS Pilani, saying: 'We all have computer skills so why don't we create this software for bus operators?' At that time I was involved with a non-profit organization of our college—BITS Aid—and in the email I proposed that we would make the software free and open source and whatever donation came in, if it exceeded our expenses, we could contribute to BITS Aid. They were all really excited when they came back after Diwali and we jumped right into it without thinking twice,' says Phani.

They were 25-year-olds working with MNCs like Texas Instruments, Honeywell, and IBM in Bangalore, a city they were new to. Apart from 'shopping and chilling', they didn't have much to do to kill time and getting their hands dirty over the weekends building a software actually seemed like an exciting prospect. Charan says, 'It was all about building something that would be useful to someone. It looked exciting and different—we made trips to bus operators to find out what their pain points were and built the software to solve those. For me the initial stages, before we started looking at it as a business, were very exciting. Just the idea that we were building something that would be very useful was very exciting.'

The solution platform these engineers were building in their Koramangala apartment was to serve three constituents—the bus operator, the travel agent, and the consumer. They wanted to create a platform where anybody logging onto the system had complete visibility of the number of seats available for a given bus or for buses plying on a certain route. To achieve this, they had to first computerize the bus operators' systems and give them a software where they could upload the number of seats they had to various destinations. They then needed another software for travel agents to log in and see the inventory situation. And, finally, they needed to create a front end user interface by way of a website for consumers who could log in and check availability themselves.

The first and most crucial step was getting hard-nosed bus operators to use the software without which step two and three would fail. This turned out to be the most challenging task for these boys. 'We went to almost all the bus operators in Bangalore, from one shop to another, pitching this software and the new process. None of them were willing to take the software. Most of them either didn't have computers or were apprehensive about trusting a bunch of 25-year-olds and changing their decades old processes,' says Phani.

It was at this juncture that Phani, on the advice of a friend, approached The Indus Entrepreneurs or TiE network (a non-profit trade group dedicated to fostering entrepreneurship) in Bangalore. They sought advice from the mentors there which slowly set the ball rolling. The first advice that came their way was —quit your jobs if you are serious about pursuing this venture. Phani, Charan, and Sudhakar decided to give up their jobs and set up Pilani Soft Labs. The second piece of advice was to completely reverse the approach they had adopted —they needed to start from the consumer and move backwards to the bus operators. 'The mentors said that we have to first establish the benefit to the bus operators and then they would come around more easily and take the software from us. So we changed our course—from giving the software to bus operators to giving the software to consumers.' That's how redbus.in was born. One bus operator called Rajesh Travels had shown interest during previous meetings and the team approached them once again. 'The son of the owner was of our age, had just finished engineering, and had recently joined the business. He could relate to what we were saying about the benefits of computerization. So he took an interest and over a few months' time, he was able to convince his father to allocate two seats in each of their buses to test redbus.in. That's how redbus.in got off its feet,' says Phani.

redBus' biggest achievement has been efficiently working both the consumer facing business—redbus.in and the backend operations—BOSS and SeatSeller and aligning the two in a manner that the success of one feeds the other. For instance, by creating a consumer ranking and rating system on redBus, bus operators were forced to improve their deliverables if they wanted to do better business. Another business strategy that worked was staying clear of the largest bus operators in the early years, even though that would have been an easier route to take, and instead targeting the smaller vendors thus bringing in a larger volume of seats on larger number of routes and in turn providing more choice to the end user.

Ultimately though they are a technology company and some of the early innovations at redBus have since become industry standards for product companies. Charan, erstwhile head of technology at redBus, says, ‘We started off with very closed Microsoft technologies from the front end to the back end. In a year’s time, we took a major decision that we would have to open it up and go into more open-ended solutions to make this enterprise work on scale. So the first major decision was to build things in Java and other open source tools and that opened a lot of possibilities for us to attract a lot of good talent. Down the road, the other significant decision that worked for us was getting on to the cloud. Cloud was still new in India at that point of time, but seeing the kind of situation that we were in then and the efforts that we were trying to put in to manage the scale—we thought we should definitely try the cloud. Working on cloud meant the engineering team had more time to build things, and improve product features and capabilities in the system rather than spending time on server planning and stuff like that. So that changed the way we worked. Another thing we did was to always capture a lot of data—we used it extensively to tune our systems and derive a lot of insights for the business. So, being data driven from early on and migrating to cloud to take advantage of the real-time scalability of the cloud helped us a lot.’

Phani believes a few things have contributed to making redBus a larger than life story. Firstly, being a consumer business, people have been able to relate to it easily; secondly, with gross value of ticket sales topping INR 100 crore in three years, there was a ‘wow’ factor associated with the startup even though redBus’ actual revenues were only a percentage of these sales; thirdly, they were among the earliest startups to raise venture funding and negotiate that learning curve; and lastly the feel-good story of three youngsters coming out of nowhere, quitting stable jobs, and making a startup work.

And when you look at Phani's beginnings in the context of what he has achieved, it is a feel-good story. Phani comes from a small village, Tadapakal in Nizamabad district, Andhra Pradesh and belongs to a family of agriculturalists; in fact his family still continues to stay there. Phani, at a very young age, was sent to Hyderabad to an uncle's home so that he had access to better education opportunities. The decision to apply for an engineering course at BITS Pilani and all his subsequent career decisions have been his own. 'There was one particular moment when I felt really happy. It was when a Telegu newspaper wrote about us. My parents are in Andhra Pradesh, and *Eenadu*, the largest newspaper there had written about us saying that we are doing well and that was read by my mom and that moment is very memorable. Many national newspapers had been writing about us for years but my parents never read that. But when this Telegu paper wrote about us and my parents read it and realized what we were doing, it was a very touching moment for me.'

Q1. Phani, you come from a small town in India; how would you say your growing up years, your upbringing, have helped you in your entrepreneurial journey?

Phani: We were just incidental entrepreneurs; I missed a bus and decided to solve a problem using the internet. I think my background helped because when I came in, I needed help from everyone because there was no one in my family who had built a business like this. I had to seek out help—I had to go to strangers and ask for advice. I felt morally obligated to these people because we didn't know each other but they were helping me—I tried to work really hard and be sincere to that advice. I think if I came from a different background and had access to family knowledge, wealth etc. I might not have taken mentoring that came my way that seriously.

Q2. Over the last eight years, how has entrepreneurship changed you as a person?

A2. When we started, we did not know anything about running a company and we were too young to see a company from top down. We had just worked for two odd years and did not have any family background in business either to guide us. Some of the questions that needed answering were—What is the value system of the company? What is the culture? How do you talk to each other? Is it a company where there is one head and everybody else helps him achieve his goals or is it a democratic company?

So for me entrepreneurship has been a process of self-purification—a lot of things have changed for me. For example, prior to redBus I used to break traffic signals and if by chance a cop caught me, I would just bribe him and get away with it. But when we started the company, our mentor Sanjay Anandram got us thinking about the value system we wanted to build for redBus. So things like this struck me and I realized that in a society we have to stick to the rules because we are the beneficiaries of that and since then I've changed! Today, even if there is a red light at midnight, I still stop. A big revelation was that when I stopped, everyone behind me also stopped. So I've started seeing things in the world a little differently and this is true in other spheres of my life too.

Q3. What is the culture that you have built at redBus?

A3. There is no one sentence to describe the culture at redBus, but it has been the result of hundreds of decisions that we have taken. For instance, is it very common in sales for people to shout at each other or use foul language and when we recruited a sales team from outside, they were invariably talking to each other in an abusive or disrespectful manner. I used to ask them, 'why are we doing that?' And perhaps we could question them because we were very young and new to this and the only relationships we had till then were friendships and family relationships and in these two, there is a lot of respect. So we decided to implement that in office as well. Initially the sales guys would say, 'Oh! These engineers don't know anything. This is so common in sales and we don't mind even if people shout and abuse.' But we would use every opportunity to point this out to them and now it's a completely different world at redBus. Today most of the sales guys in our company come to us and say: this is such a relieving place to work in and my personal life has also changed since I joined redBus because in other workplaces we used to always be abusive and hyper.

The other instance which has shaped redBus is related to graft. In the early years, most startups don't keep good records and we also missed out on a few things. So in the first year when a service tax officer came in, he saw that things were not done well and he levied a fine of about INR 6–7 lakh. The other option he offered was paying him a lakh or two and getting away. We thought about it and we are heavily influenced by the Wipro culture here because many of our mentors were from Wipro and we had heard stories of Azim Premji resisting to pay bribes and how, over time, that became their culture. So we took the decision that there would be no bribing at redBus. We went back to the service tax official and said that we'll pay the INR 7 lakh fine but not the bribe. And you have to realize that in that first year, as a new company, a difference of INR 5 lakh between the fine and the bribe was a big one for us, but in spite of that we went ahead. When we took that decision, our finance guys said, 'Oh, these young boys don't know how to run a company. Everyone pays something to the tax guys; they are too idealistic.' But today we have managed to run a company without any bribes; the finance guys know that we will not pay bribes so they are extremely focused and ensure that the books are absolutely clean and that is our culture today. Today we work with so many government road transport corporations (RTCs) and every sales guy knows about the no-bribe policy, so they work on different strategies to make the deal.

And the last one which is close to my heart is that we believe that society has a way of rewarding one well for talent and for working hard. For example, we didn't have to put any money of our own into this or raise investment from family. We were just willing to work hard and the investment has come from strangers like venture capitalists and they helped us make redBus successful. I realized that the world we live in rewards talent so in our company we give a lot of professional freedom to people to do whatever they want to do and we as a company have benefitted a lot from people doing innovative stuff and feeling free to do it. That is a very important part of our culture. No one stands up and says this is the way it has to be done; everyone goes in different directions and the most rewarding path is the one that the rest of the team follows.

Q4. You consciously decided to stay focused on the Indian market. Why? Isn't the cost and time to acquire customers in India increasing after the initial latent market is captured? When you look at it this way, how much

sense does it make for redBus to look at other developing markets in Asia or Africa?

A4. Actually that decision to focus on India was based on many factors—one of which was philosophically driven and the other logically driven. So we went back to our primary reason for existence and kept thinking as to why we are doing what we are doing—the answer was that I couldn't get a ticket and we wanted to solve that problem and solve it really well. And when we look at that as the objective of the organization, the problem still exists—we didn't have too many of the RTCs or the government bus operators on board, so there was a lot more work that was left for us before we could say we've solved this problem. It might not have been a good business decision and we might have lost some good business opportunities, but we weren't considering those things when we were thinking philosophically. So that's one reason why we kept to India and to bus ticketing alone; a lot of people advised us to get into cabs, hotels, and airlines, but again those things we put aside saying we just have to do what we set out till it is really well done.

The other thing was that logically thinking we had to perfect what we were doing from a technology and execution point of view so that nothing but perfection is expected from us. For example, it is big deal if, while selling bus tickets in India, our website doesn't go down for even a second in an entire year. That means we have reached near perfection in putting system backups in place; now if we were to go and start up in Malaysia, the team would have to deliver nothing less than this perfection. So we said that in this highly competitive world and in an age of internet, nothing less than perfection is acceptable. So let's master this here and once we have done that, we can go to any other country and become the masters there.

I was in Delhi before coming to Bangalore, doing an internship and then working there for some time. We used to read the *Times of India* there, but when I came to Bangalore, there was no *Times of India* here. But then they entered Bangalore and became the market leaders in no time. It doesn't matter if you enter late into any market but when you enter there, you should have all the capabilities to win over that market. So that was the rationale behind not going international.

Q5. As redBus took off, we started seeing other similar ventures come up. Were you bothered? How closely did you track what they were doing?

A5. In the early days we used to fear any new competition. I remember we had raised INR 2.5 crore funding and that money was sitting in the bank, and in just six months there was another company that came up doing a similar thing. It was started by experienced people from the travel industry and they had INR 30 crore in funding—that's ten times what we had. They launched in a major way with a radio campaign and newspaper advertisements and offers of one rupee tickets and we started feeling very nervous. We felt that though we were the innovators, if they made a lot of noise, people might mistake them for the innovators and go there. Then there were friends and peers telling us things like how the first movers never win—it's actually the second movers who have the advantage and with all these things in our mind we were pretty nervous. So we went to our mentors and asked them if we should also launch half-a-rupee tickets because we do not want to lose the first mover advantage Our mentors told us that spending money on marketing is a split second decision and giving offers is an even smaller decision because you just have to burn your money and buy customers. They encouraged us to actually build a product so compelling that customers come and pay us despite the competitor giving discounts! They asked us to work on making that compelling proposition early on and thankfully we heeded that advice. Thank god we didn't say that these mentors don't know anything and that they don't have anything at stake and are just sitting in an air conditioned room and doling out advice!

So we came back and really started looking at our product and how we could make it more compelling for the user. Over time, many customers started coming to us because of the value we gave them. And one fine day in 2008 when Lehman collapsed, our competitors couldn't raise more money. Everyday of their functioning involved burning money because of the deep discounts they offered whereas in our case, because we were selling tickets at a reasonable price and making money on every ticket, we didn't need as much external money to run our business. They collapsed soon after Lehman and all their customers then became our customers and that was an added bonus. So that was a huge learning for us. Ever since then, when any competitor came along and promised offers or discounts, we really didn’t worry so much.

But we did worry about the innovative ones because this world of internet and technology is ever changing and if we could take business away from the traditional travel agents who have been doing business for decades in just 2–3 years, then anyone else with disruptive technology can take business away from us in a matter of 1–2 years too.

Q6. You believe that the internet is a place where only one business in every space can survive. What were some of the things you did to future proof redBus?

A6. One, our innovation starts at the customer. We just go to the customer and observe what he is doing—Is he carrying a mobile phone or a smart phone? How is he transacting on these devices? We then created technology or the means by which we could better serve his changing habits—staying a step ahead so that we don’t become obsolete.

The other way we approached this was to recruit fresh talent. For example, all the talent that we had a year or two back was oriented towards web. We didn’t have anybody that was looking at mobile and we could see that mobile was becoming the next big thing. So instead of doing mobile ourselves with existing teams, we said let’s go and get fresh talent that has understanding of mobile and get them started. We picked up this strategy after seeing this case as an example: prior to MakeMyTrip, the country’s largest travel agent was Akbar Travels—they actually had INR 2000–3000 crore turnover before the internet came up. Akbar Travels had their own website and stuff but the problem was that the website was done by the existing team whereas for a new disruptive technology to succeed, you need fresh thinking from bottom up. So looking at that, we said that we have to carve out space for new technology with new people so that they have completely new thinking without any influence from our existing business. Our mobile team is completely new and the apps that we have created have no relation to the website that we have and it’s doing really well. So that’s another way in which we kept ourselves abreast with the changing world.

Q7. What have been some of your most important learnings in the past eight years with regards to managing an organization?

A7. One thing that I would do differently is give the hiring process a lot more time. An entrepreneur is a creator and he is excited about doing things, so he will jump in and do a lot of things. But right after that, he should ideally start recruiting. But we never seemed to find the time to recruit people and because you don't do that process well enough, you tend to stumble on the scaling up—so that is something I would do differently.

And the other thing in terms of what helped us and what could help others is getting the right mentors. For people who have never done business or for engineers who are stepping into business for the first time, there is some business advice or strategy related advice that every person who has some experience in business will know but an engineer won't; so having those great mentors can make a big, big difference to first time entrepreneurs. Our mentors helped us with so many strategic decisions like when to expand pan India, when to start selling ERPs (enterprise resource planning) to bus operators or tickets to consumers, should we sell airline tickets or not, should we go abroad or not. There were so many strategic decisions that they helped us with and if we had gone wrong with those, we would have surely failed.

Q8. One thing that's been baffling is your approach to funding. I believe right up till the end, you'd utilized only about INR 8 crore of the INR 40 crore raised? What drove you to keep raising funds? You were about to sign up for Series D when Naspers happened. Was there pressure from investors to raise funds, dilute your stake?

A8. The first and second rounds were both required. Until the second round, a lot of VCs were showing interest. There would be so many of them coming to our office that we thought raising money would be easy so we kept postponing it. Then Lehman Brothers collapsed in 2008 and it got so difficult to raise money — all the guys who were coming to our office just disappeared; they stopped taking our calls or replying to our messages and emails. That was when Inventus came forward to invest and they did that in a down round—which means that the valuation was lower than the previous round even though the company had grown six times from the previous round. That really hurt us badly in terms of the cap-table as well as our morale.

Post that we were very cautious. When we had little money left in the bank, we went and raised Series C—an internal round from existing investors. But the whole Series C funding of INR 30 crore stayed untouched in the bank because we started breaking even and then even turned profitable very soon after that round. But again the same pre-2008 atmosphere returned. A lot of VCs started coming to our office and offered money; we kept saying no. That is when one of the VCs went to our existing investors and asked them if they were willing to exit because it had been seven years since they had invested in redBus. So some conversation between them ensued and our existing VCs said that if the price was good, they would consider it. That's when we realized that if anyways they were keen on exiting, then we might as well introduce all the VCs who were coming to us to them so that everyone gets the best deal possible. So, without really realizing it, we embarked on a fund raising journey for Series D. Also we had by then hired our first ever CFO and had the bandwidth to engage with the investors.

Q9. That's my point. What made you guys take this sort of 'investor first' approach, if I may call it that?

A9. I think it's not just investor first, it is thinking of everybody— all the stakeholders. And actually, whenever we have put the investor first, they have reciprocated. Perhaps it was because of our approach towards them that even though we had a down round in Series B, the investors proactively came forward and gave us some of our equity back. So it pays to think of others. When you think about others, they also think about you and all through the journey we have been beneficiaries of this kind of thinking. We've had one of the best environments on the board. Now when I speak to other entrepreneurs, mature, Series B/C level of entrepreneurs, their boards are disturbed. So doing what we did was a huge benefit to us because the board was one place I could just open up and talk about all my problems—it was very friendly and everyone trusted each other.

Q10. In retrospect, what are some of the things that you would do differently with respect to fund raising and managing investor relationships?

A10. It was still early days when we raised the first round and at that time we did not know about VCs and that in the process of building a company one dilutes stake to raise capital and then eventually sells the company. We are very thankful to have Sanjay as our mentor—he oriented us to this whole process and gave us the right examples. For instance, in round two when we had a significant dilution, we had this dilemma about whether we were doing the right thing by losing so much equity. During those days of doubt, Sanjay showed us the cap-table of Infosys and that's when I realized that Mr Murthy and his family owned less than 5 percent of the company. Until then I used to think that he was a significant shareholder there, but owning less did not mean anything to him—he had the control and could still change the direction and operations of the company as he liked. So looking at that we realized that equity dilution continues to happen if you are building a large company and the direction and growth of the company will be a function of your ability and not a function of your equity. So I think getting the right orientation at the right time helped us.

One thing that you must always do with VCs is put your best foot forward in terms of trust. We always believed from day one that what is good for us is good for them and vice versa—so there was a lot of synergy and positivity in our relationship with them. This is something that I would do again because we need those positive vibrations on the board. One thing that I would be conscious of is that while it is important and beneficial to have this sort of trust and open relationship when it comes to raising money but when it comes to that one discussion where you sit across the table and figure out valuation and terms of agreement, it is important to be clinical. That is the time when we need to look at the deal for what it is and look at what is good for us and what is not, what is acceptable and what is not; there we cannot afford to be altruistic or 'friendly'. So that is one thing that I will be mindful of.

Also we had this belief that if the VCs invest at a high valuation, they will not be very happy because it will cut into their returns. So we were okay with deliberately keeping our valuations low because we did not want anyone on our board to be unhappy. That I realize was not a very wise thing to do. Next time around I will not approach it that way. Valuation of my company is something that I should be happy with and that is something that I will look at very closely.

Q11. You’ve received flak from some quarters because of the approach you took to ESOPs.

A11. We did the ESOPs the way we thought it should be done and when the company got sold, money was distributed as per what was written in people’s contracts. One person was upset about it and he went to the media and it appeared like a big thing but of the 700 people, we only had one who was upset. I have realized that within a team or a company, there will always be people with different opinions and it is our task to see if they can be won over, if their opinions can be changed and if not, then we have to live with that difference in opinion. The one thing that we were very conscious of was never dishonouring or going back on our word or doing something illegal. What we did with the ESOPs was follow exactly what was written down on people’s contracts when they joined the company. However, the lesson I learnt was to be unreasonably generous, not just generous, and give more because the event is like that.

Q12. What are the changes in the entrepreneurial ecosystem that you have witnessed since 2006?

A12. There are many, many changes from the time we started. In 2005–06, there was no entrepreneurship. In fact, one of the big questions people used to ask at every conference was how did you convince your parents, what did they say when you left your well paying job, but today nobody asks that question. In fact, people now say that their parents want them to leave their jobs and take up entrepreneurship. So I think that is a big change, and this phenomenal change has come through in just 6–7 years—that’s quite remarkable.

Also, back when we started, there were all these big funds and Seedfund was the only one doing early stage investment, but now there is funding available at every stage—there are angels, early stage, late stage VCs—so the entire ecosystem is set up. Earlier there were no incubators while now there are at least 20 of them in Bangalore alone. Also the kind of businesses that entrepreneurs are embarking on is quite vastly spread—with every story of success the ecosystem of entrepreneurship is spreading. For example, with the acquisition of Little Eye Labs by Facebook, entrepreneurs are thinking on completely different lines. Earlier they thought the cycle takes 5–6 years where one has to start, hire sales and marketing people and build the company, but with this acquisition people are realizing that one can start a company with just five engineers, no sales, HR, etc. and in less than a year sell to someone else and complete the startup cycle.

Q13. We've spoken about some of your low points, but what was the lowest low for you and how did you deal with it?

A13. There were many difficult moments. For instance, just post Lehman Brothers, when we had to raise money at a lower valuation than the previous round, I had the tough job of having to go tell the senior management who owned equity in the company that this is the reality and even explain to them that perhaps this is our right valuation (laughs). So when I mentioned that it did not go really well and the management team was demotivated, they said, 'We thought we were there and that we were doing well, the media says we are doing well and they like what we are doing, but the valuation does not reflect that sentiment. Are we doing something wrong? Will we get another shock a couple of years later? Are we wasting time here?' A few of them also resigned and that was very difficult because on one hand I was feeling bad about the lower valuation and on the other hand when senior management leaves you really go into a dilemma—I kept asking myself if I had done the right thing. That's the first time that the pressure got unbearable; till then it had been a nice roller coaster ride—we had started up, everybody liked us, investors were queuing up, revenues were growing, but then suddenly it was a big jolt for us and everything seemed to be falling apart.

One day I was Googling what I should do, as the pressure, tension, depression I had was kind of unbearable or unnameable— so I was searching online to find out what this sort of feeling is called and what I should do—and I stumbled upon Vipassna meditation. I felt that was the right solution and I went off for 12 days to an ashram. And those 12 days really changed me. When I came back, I was feeling fresh and I felt that I could take this challenge on. Earlier I was impatient and angry. I would get upset over small things. After Vipassna I have become calmer; I don't get angry as much as I used to because you realize when an external event is going on what is happening internally and that understanding has helped me relax and become a lot calmer.

Q14. What next for you Phani, now that the redBus journey is over?

A14. I haven't decided yet but I know certain things that I won't do—I won't set up a business that already exists, like another hotel website or travel website. I'd rather go after a problem that hasn't been solved yet. And today, unlike the first time I started up, I have more freedom because the family is taken care of; I can afford failure today, so I want to do something that doesn't exist, which is new, which is innovative and beneficial for society. I don't want to compete with another entrepreneur or a startup just on the merit of my experience knowing that I can probably execute an idea better.

InMobi



Company name: InMobi

Founders: Naveen Tewari, Abhay Singhal, Mohit Saxena, and Amit Gupta

Date of incorporation: 2007

Head count: 900

Geographical presence: India, China, US, UK, UAE, Germany, France, Malaysia, Korea, Singapore, Australia, Taiwan, and Japan

Mission statement: To be one of the largest independent mobile ad networks in the world

IT WAS A sweltering May afternoon in Mumbai in 2007 when Naveen Tewari, Amit Gupta, Abhay Singhal, and Mohit Saxena realized that their first startup was not going to make it 'big'. As the team tried to lure shoppers in a suburban Mumbai mall to sample their mobile phone-based deals search service—mKhoj—it began to dawn on them that things were not working out as per their business plan. The plan was to be a deals platform on mobile— consumers could simply type in the kind of deal they were looking for and mKhoj would access their database of thousands of brands, retailers, and merchants from across Mumbai to SMS back the best deals available to the consumer in his locality. After days of a major marketing blitz that drained the last of their half a million dollars of angel investment and resulted in only a marginal uptick in customer traction, the team knew they had to do something different.

Naveen, Amit, and Abhay studied together at IIT-Kanpur and Mohit at IIT-Roorkee. This was not the first time that these four thought they weren't quite tapping the pulse of the market. Their first experiments at mKhoj—to create a mobile voice over internet protocol (VOIP) application and a mobile chat application in late 2006—hadn't worked out either. Seeing the phenomenal success that such services are witnessing today in both the mobile VOIP (Skype, Tango, Viber) and mobile chat apps (WhatsApp, Snapchat, Hike) space—perhaps those ideas were simply ahead of their times. Neither was the mobile phone as ubiquitous back in 2006 as it is today nor was the mobile internet economy as big a reality.

However, Naveen Tewari, CEO InMobi, is not one to externalize the shortcomings. According to Naveen, mKhoj lacked two very important components that are the lifeblood of any B2C business. 'One, the value proposition for the customer was not too strong. If we had a stronger user proposition, I don’t see why it would not have been successful; and two, very specifically, within mKhoj, I didn’t believe that we were onto creating an IP (intellectual property) that would have justified a growth of business significantly beyond what we were doing. This is because a lot of the business was controlled by the telecom carriers and we didn’t have too much say or control over it and therefore we had to look for alternative mediums that were not using the carriers at that point of time.’

Amit Gupta, co-founder of InMobi, had spent his years since graduating from IIT-Kanpur in 2000 working first with Citigroup for about a year and then with a couple of technology startups in Bangalore. Only a year before, he had launched his own business intelligence startup, AnalyticsWorks. Amit says using angel money from Mumbai Angels to make mKhoj work felt like ‘loot’ because they knew the venture was not working out. ‘We realized that if we don’t pivot quickly, we’ll be no more in three months. So we took the call to solve a big problem, do something else, instead of sticking to this business model. So we took the call—it was a fairly emotional call—and we killed mKhoj,’ says Amit.

Working out of an unfurnished one-bedroom apartment in Mumbai, the team began experimenting with other related businesses. One of the things they were toying with was a mobile ad network—the idea was simply to create a product that would sit between the advertiser and consumer and deliver well targetted ads.

The hardcore techie in the group Mohit Saxena and his small team of coders began work on the first iteration of what is today one of the largest independent ad networks in the world. The team bought server space and they were soon maxing out their personal credit cards, 14 of them, to service the new business. For Mohit, who had given up a lucrative and challenging job with Virgin Mobile in San Francisco, returning to India at Naveen’s behest and making minimum fee payments to credit card companies hadn’t been part of the plan. ‘Naveen had been asking me to join the team for a while. At the same time the Virgin Mobile folks were talking about entering India. They offered me an opportunity to move back to India and work there to set up Virgin Mobile. One day I wrote a mail to Naveen saying, “Last night, I dreamed of buying a Ferrari”, and three days later Naveen responded saying, “We have got angel funding and this might be the chance to buy that Ferrari.” After that I spoke to Amit and Abhay and I felt that I didn't need a long history to gel with these guys. I made a trip to Mumbai. Naveen put me up in South Mumbai and showed me only the very best of the city—the business district, the hotels, and cars (laughs). But I loved the team and saw their determination. I felt that if I join them, something good will come out of it.'

With the mobile ad network, they were onto that something good. Mohit moved out to Bangalore in 2008 to put a stronger technology team in place and the others followed within the year. But what was it about this particular venture that convinced the team that they had finally found their billion dollar business? Especially given that they were floating this at a time when the smartphone didn't exist nor did the Android and iOS platforms that have today become the default stage on which most mobile ad networks sit?

'I've not seen entrepreneurs build a business based on research reports. Research reports don't predict hockey stick curves and new phenomenon. The conviction to go through with this idea was based on a bunch of conversations that we saw taking place in the market place, plus a conviction around the mobile device. We believed that the world will move towards a new ecosystem and that ecosystem will be centered around the mobile device, and that this device will change the way content is consumed. So, I think there are few things that are fundamentally changing the world: one, internet and two, mobile. We looked at both and realized that a combination of both will certainly come about at some point of time. There were few people who believed in that vision and we took our strength from them. Every entrepreneur has to take certain calls which come from the gut and we've not been too off from it,' says Naveen.

Today, InMobi has raised USD 216 million from heavyweight investors like Silicon Valley-based Ram Shriram of Sherpalo Ventures—one of the early investors in Google, Kleiner Perkins Caufield & Byers, and Japan's Softbank. The last fund raise of USD 200 million from Softbank in 2011 valued the ad network at close to a billion dollars. InMobi today delivers targetted advertising to 759 million active users per month, up from just 1.5 million users in 2008. And the market size is set to grow exponentially as the mobile phone becomes the primary screen for consumption of all sorts of content—news, games, music, films. The numbers from a report by Gartner are astounding: mobile ad market spending has risen from USD 1.6 billion in 2010 to an estimated USD 18 billion in 2014 and is expected to hit USD 42 billion by 2017. In a market this size, InMobi is second only to Facebook in terms of global consumer reach, targeting users in 165 countries and in terms of business generated, InMobi claims to be second only to Google. Not bad company to be in. But does InMobi have the disruptive edge to compete with the big boys?

'We realized that if we just remain the demand and supply intermediary, we will not be relevant in the long term or become an institution or a company which will last for long. So we started looking for where value is being created and we realized that in the business of advertisement—value is created when you reduce wastage for advertisers, value is created when you get that user to the advertiser who will matter the most to the advertiser at that point of time. And in this process, because you are adding more value, you can make more money for yourself and the publisher whose only interest in life is to make more money! So we pivoted the business from a pure ad network to more of a big data company—the vision is to make InMobi a company that has the best understanding of the user and this understanding can be used to make consumers take better decisions,' says Amit.

The team at InMobi has also understood that the medium will keep changing and its latest offering to app developers—the native ad platform—allows app developers to decide how the user sees an ad; developers can customize the look and feel of the ad to best integrate into the application leading to better user experience and monetization opportunities. Abhay Singhal, the fourth co-founder and head of sales development as well as global revenue strategies, says, 'The feedback from developers during the beta testing of our native ads product has been overwhelmingly positive—between 4 to 10 times better return on investment than traditional ad formats. Users are also 5 times more likely to engage with one of our native ads and when combined with our rapidly growing network—which we estimate will crack the 1 billion active users barrier in the next quarter—it's a very attractive proposition for advertisers.'[1] The revenue opportunity for independent native ad networks (beyond Facebook and Google) is estimated at about USD 8–10 billion annually.

InMobi is ranked as one of the hottest pre-IPO ad tech startups of 2014 by *Business Insider* and is second only to Pinterest on that list. Fine showing for boys from Tier-II cities—Kanpur, Ghaziabad, and Lucknow—who are still together and still the best of friends. ‘I think the biggest factor is that we are very good friends, at every level; now our kids are growing up together. But at the same time, we are very honest and very hard with each other. When we are at work, it’s very professional; if I don’t like something Amit has done, I’m very hard on him and vice versa. At the same time we know that the criticism is purely on a professional level and there is nothing beyond it. Regular communication, brainstorming, and thrashing out ideas are important and we have been doing this consistently from the earliest days. Even today, whenever we get the time, we sit down together in a room and brainstorm; we even have a term for it—*bulla katna* (IIT-Kanpur slang for thrashing out ideas). Even if one of us is travelling, we call that person and if he asks, “Is it something urgent?”, we say: “Yes! *Bulla katna hai*!”’ says Mohit.

Naveen, who grew up on the IIT-Kanpur campus, where his grandmother and father were both professors, agrees that there is nothing better than a good conversation to get things going. From trying to solve his grandmother’s mathematical googlies to McKinsey and Harvard Business School and then a brief stint with Boston-based venture capital firm Charles River Ventures before he took a year and half off in 2005 to ‘tinker’ around—it’s good ol’ style *bulla katna* that’s given Naveen some of his best ideas.

Q1. You have described 2006 as a year of ‘wandering and tinkering’. In retrospect, do you think this is the best thing you could have done for yourself?

A1. Naveen: It’s easy to talk about it in retrospect, but it’s extremely hard when you are going through it because you don’t know what the future looks like. You’re just sitting there believing that everyone around you is doing something more interesting that you are, and so it is a very hard phase to go through. I like to think of that phase as the degree in entrepreneurship phase and like any degree, it gives you a lot of confidence and creates capability in you. It’s a phase where you have been hardened with the toughest of scenarios, professionally and personally. It’s the most emotionally draining period and once you have gone through that, anything after will be easier.

When you look back, it's hard to even say what you did! You spend a lot of time at home (laughs), you believe you are doing something interesting. You spend a lot of time in coffee shops. You spend a lot of time meeting people and convincing yourself that you are doing something very good. You spend a lot of time convincing yourself that you are onto something big but effectively what you are doing is looking for opportunities and when you don't find them, you talk to yourself and say, 'Hey, it's just around the corner.' But the truth is that you are saying that to yourself after every corner and you get disillusioned. While you might put up a bold face outside, in your own private moments you are weak and going through an emotional phase because nothing is happening and you are running out of stories to tell people as to where you are headed, because people will ask pretty straight and direct questions—'What is this?, 'Where are you going with this?' For almost two years, 2005 and 2006, I was in this mode. It was hard—you start avoiding certain people; it's a tough phase. But it's a degree in entrepreneurship; it's like body building—if you have to go out and play a game and your body is strong and well-practiced, you will do well. That's what it is. I went through this phase of getting a degree which conditioned me well for what was to come next. . . What came next was easier than what I went through in 2005–06, really!

Q2. It was at an event that mKhoj had sponsored in Mumbai's Inorbit Mall where you realized that your idea was not working. mKhoj was essentially a mobile search product for consumers. Would you say, running a B2C business in India is tougher? That the market is too big and unless you have deep pockets, money to pump into marketing and creating sales channels, it's like trying to boil the ocean?

A2. Naveen: I think there are multiple things that made us realize that mKhoj was not it. Part of the reason was that the business was B2C but what we kept true to was that it was a mobile-centric business. There were many reasons why it wasn't destined for success; but I wouldn't say that depth of pocket was one. But let me answer your larger question: Is it harder to build a B2C business in India?

It is not necessarily hard because the user in India is always looking for newer things; he's experimental and tries out new things quickly. It is also a market where a user has not been using one product for a very long time, he's not habituated and therefore getting him to switch is difficult—legacy is not an issue. The size of market is very encouraging an issue. The concern is how you generate an ARPU (average revenue per user) which is meaningful. And this is multiplied by infrastructure challenges like payment gateways not being in place, low credit card penetration, and a weak advertising ecosystem. So when all of these are shaky, you don't have any mechanism to make money and therefore a B2C business in India takes a little longer to succeed and is far tougher unless you come up with something amazingly good.

I think it's only a matter of time though before some of these issues, at least from an advertising landscape perspective, are resolved. So you will see some ideas in the B2C space generate enough ARPUs to justify investments and once that happens you will see a boom of domestically bred B2C applications and companies; foreign companies will also aggressively make a beeline for our country. This is just round the corner; it's not too far off anymore.

Q3. In 2013, in an interview that you did with Young Turks, you said that in a few years there will be two types of people: ones who are already in the mobile ad space and two, those that will wonder what happened because this space will just explode. What are you seeing now? Are you seeing a lot of people on the sidelines? And where do you see InMobi?

A3. Naveen: What I believed was there would be two kinds of players in the mobile advertising space—the believers and others who would fall by the way side because they wouldn't adopt mobile as a medium of advertisement. I still maintain that position. InMobi is a prime supporter of the mobile ad space.

Today the mobile ad market is growing firmly at 80–100 percent year on year. In 2014, mobile ads will be an USD 18 billion business; two years ago it was only USD 4–5 billion. So the market has grown significantly. This means that a large number of players (advertisers) who are moving into the mobile ad space are looking at it as a primary—actually maybe not primary yet, but major—medium for advertising and one of the critical reasons behind that is that users are spending significant amount of time on these devices. Look at yourself, at all the people around you; we are all spending disproportionate amount of time on our devices. If I remember my stats correctly, on an average anywhere between

20–23 percent of a users' time is spent on a mobile device. In developing countries like India, that time spent is even higher because the number of screens available to users is less. From a customer's perspective, more and more players are taking this on but the critical thing is that if you are a late entrant into this market, it becomes that much more costly and in turn impacts your business. So, brands and agencies that are taking longer to embrace the mobile medium will tend to lose business compared to others and we are already seeing this happen. A lot of people are moving to this space very fast and in the next two years the mobile ad market will be roughly worth USD 40 billion.

Q4. So you saw the potential in the business and one of your earliest venture capital investors saw that potential—Ram Shriram of Sherpalo Ventures has a knack for these things. How did you land the meeting; was it a cold call to Ram?

A4. Naveen: Though it happened a long time ago, it's still fresh in my memory because for an entrepreneur some of these meetings turn things around; for our team it was a big turning moment, we cherish it. I had reached out to Kleiner Perkins Caulfield & Byers (KPCB) through a business school connection to tell them what we were doing at InMobi. They liked the idea but at that point they did all their investments through Ram and Sherpalo Ventures; so we set up our next meeting with Ram. We spoke about what we were doing and to be honest, the vision we painted was not nearly as large as what we are doing right now. Ram was very excited, he had already seen signs of some of what we were proposing happening in the US and our pitch was to do it only in developing markets and not across the globe like we do today. He asked me to stop the presentation and get down to talking about the execution details of the business. The reality was that I was on a road show pitching to people, so I had little clue about my execution plan for the next 180 days but I managed to talk my way through it. Ram and KPCB have been fantastic. They've been supportive and truly been aligned to the vision of the company; they have pushed us to think bigger, do better, and become more aggressive.

Q5. When you look back at the original plan you guys had or the vision you had for InMobi, what was it and how much of that vision has changed over

the years?

A5. Naveen: In startups, you make a plan but try to mend the plan and make changes to it very quickly because that is the only way in which you can grow. In our case, at a very high level, we had set out for two big things which we have stayed true to for a very long time: one, build the company globally, and initially not go after the developed markets but developing markets. We laid out the 'east to west' strategy as opposed to the 'west to east' strategy. There were a lot of debates around it—was it the right thing to do? Why would we go after emerging markets when they are not easy markets to do business in, they are no proven successes, etc. But we were convinced because we felt that mobile was that medium, that entity, which would change things; it was the entity that would shorten the gap between the developed markets and the developing markets and therefore we felt we had a great opportunity to go after.

The second big thing that we wanted to do, which was very different from what was happening in India then, was to build a great product out of India. Again we got a lot of negative feedback, people saying we should give up the idea of building a product out of India or if we are going to build a product, we must go do it from Silicon Valley. We disagreed on that and in our unconventional 'InMobi way', we went ahead and built the company from India. Today we have one of the most successful product companies, not just from India but from across the globe. And we've been able to do this because we wanted to create core IP (intellectual property) and we felt that unless you have a great product, you cannot succeed or build a long-term company. If you don't build IP, what you will have is a short-term business which will be transactional and can be moved away from you very soon.

We've stayed true on these two big parameters. We may have changed the details about how we went about it but those two ideas were the most fundamental pieces that have guided us.

Q6. The idea of InMobi—building an ad network—is fairly simple. Not to be condescending, it's an idea that many intelligent entrepreneurs who understand this space would have thought of, and the very fact that competition exists is indicative of that. What has made you guys standout, not just in India, but globally?

A6. Naveen: Your question signifies how one should look at success from an entrepreneur's perspective. What you are actually articulating is that the success is never really in the idea; success is in the execution of the idea. For any entrepreneur who is out there thinking of an idea, rest assured that there are at least five other people thinking of the same idea at that moment; so it doesn't boil down to a brilliant idea at all! It is important that the idea is good, don't get me wrong, but I think for us the execution is what made the difference and we did certain things that were very different from the rest. If I were to look back at the time that we started, a year or two in, there were 30–50 startups in this space; today from that bucket, only five odd remain and that includes the ones that have been acquired. This is evidence of just how crucial execution is for a business.

Q7. At what different levels in your execution plan have you been able to create differentiation?

A7. Naveen: Let's look at it at three levels. The first level is product and technology: it's very critical to know that mobile advertising is about nothing but technology. Having that understanding and investing into it very, very strongly right from the beginning was a critical factor for us. Having an aggressive product strategy became critical for us and therefore what we have today is a product that is far ahead of anyone else's in the world—today our products are at least 1–2 years ahead of the closest competition. We were able to succeed in that, by the way, because we took the stance of building this out of India—we could get some of the best engineers in the country to come work with us. We showed them a dream of building a world class product, at world-class scale, against world-class competition. And they have answered that call in a great way by putting their very best into each product that has come out of InMobi. Therefore, today when I look at our products and our competition looks at our products, we realize that we are at least two years ahead of the curve. I feel amazing pride in it and I think that has been critical to our success.

The second way in which our execution plan was differentiated was us saying, 'Hey, let's not directly go to the US because there is a lot of existing competition out there and in order to compete with them, we will have to throw a lot of money into sales and marketing.' Instead, in our path of going from 'east to west', we utilised a lot of the money we saved on marketing and sales, to invest into products—which is why going back to previous point we were able to succeed in the first place.

The third piece is that we have done as well as we have is because we have been able to hire some of the best people and make them a part of the company—a lot of them come from India. I think our story of building a global product company out of India, our story of building an enterprise that will potentially change the world of advertising, our aim of being one of the largest companies on the planet, and making India proud has really resonated with people. People have responded to it and some of the best people in the world have come to work with us as part of that journey. And that has differentiated our thirst for success from a lot of other companies out there.

So, to me it's the people, our business strategy, and our product strategy where we have differentiated ourselves and tried to create our own niche And we've executed on these things like crazy because the market is large and you really have to move fast.

Q8. But getting people to believe in this vision couldn't have been easy back in 2007–08 when you had nothing to show for it. I know you managed to attract talent from Yahoo and Google, but was it an uphill task getting people to believe in your ideas of building a global business and not just roll their eyes at you?

A8. Naveen: Attracting good talent is one of the most important jobs of any senior executive in the world. It was no different for us; we faced a lot of challenges. In India, things have changed a lot in the last few years, but if you go back six years, it was very tough to get people to leave their cushy jobs in large companies and get them to come here. It required for us to spend significant amounts of time with each of these people on a one-on-one basis to essentially explain to them what we wanted to build; and that takes a lot of effort. It took hours and hours to convince people of what we were going to do.

I am most proud of when we were able to hire the first non-Indian person to the team, Ann Frisbie, who is part of our leadership team even today—it's been over 5 years. So, I was in Palo Alto when we trying to hire her and she still tells me that when she came for the meeting, she was convinced that she was going to just have a quick cup of coffee and in 15 minutes say no to the job offer and move on. She was like, ‘How can an advertising company be based out of India? Little would they know what they had to do.’ But she really fell in love with the company, with what we were trying to do and achieve, and she’s been with us since, spear-heading a lot of the effort. She didn’t make the decision just after that meeting in Palo Alto but came to our run-down offices in Bangalore six years ago. I was convinced that once she looked at our offices, she would never come back but she looked far beyond that! You know, for someone coming in from Palo Alto looking at our office which was above an auto repair shop, it’s not the most welcoming of experiences and neither did it appear as a very conducive space to build a global enterprise. And then to listen to and believe someone sitting in those rooms, saying we will change the world—it’s a hard one to take seriously. But she did!

Q9. What is the price you’ve had to pay for being an India-born, India-based product company?

A9. Naveen: One of the disadvantages was that our country was not known for building great products. So when you went out to clients and told them that you were based out of Bangalore, it was a hard sell; people don’t really buy it and that is a tough one to solve. We’ve overcome it by consistently over the years delivering great products. We also had to showcase that we were a global company, not an Indian company, and to showcase that, we had to start behaving like one—we made a lot of changes in ourselves which were hard but we did it. The same set of team members based out of Silicon Valley would not have had to face these two issues but we did and they taught us a lot.

One of the main things that need to change is that the country in itself is not very open to giving business to startups and we faced that. So today, India is not a large market for us but it is an important market for us. The potential can be larger than what it is now but it takes longer for the market to grow. See, all the newer technologies are going to be coming from startups and if they are coming from startups, then the old, big companies have to start trusting the startups. That doesn’t happen easily here, so it takes longer for a startup to build a business in India.

We will be doing great business in India in the future, I know that. It’s a large market; from the perspective of long-term potential, there is no question of that.

I just hope, not just for us but all startups, that Indian businesses become more welcoming to startups and if that happens you will see a lot many products getting created for Indian markets and that will act as a great catalyst for the entrepreneurial ecosystem. That is needed.

Q10. How difficult or easy was it working in other developing markets in Asia and Africa as part of your 'east to west' strategy? What did that phase of InMobi teach you about doing business?

A10. Naveen: There is a huge difference even between Delhi and Bangalore as markets. And there are similar differences that exist between different countries but product is a great leveller; if you have a great product, then irrespective of the environment you are in, you will be successful; but I think your question is deeper than that. Your question is, 'Hey, how do you actually go ahead and become or build something in those countries; sort through the challenges that one has to face?'

How we got around the challenges of working in offshore locations is: one, we hired local people. That's hard to do but we ensured we hired locally in each of these markets, especially markets that are not as cosmopolitan. Two, we changed ourselves to be very open. Therefore we changed way things were done within our company so we could say we behave like a global company even though we are based out of India. And that is hard because we were trying to change behaviours that come naturally but it was important to do. We aimed to build a globally competitive product and be aware and respectful to different cultures.

We have 17 offices across the globe and have tried to localize our offices as much as possible to the specific markets. We hire locally and tailor our policies and culture to suit the local markets. We even decorate our offices keeping local aesthetic in mind!

However, irrespective of which market we operate in, we all believe in a common set of values that lay the foundation for us. We give a lot of autonomy to country teams to build their own InMobis within the realms of the larger InMobi umbrella of culture and values. Those teams own their InMobi and they feel a lot of pride in that since they created that atmosphere. So we tried to farm things out, never pretending that we know best, and that seems to have worked for us.

Q11. You’re the largest player in China today. When you entered, a year and a half back, you were 55th. What was the China strategy? People describe China as a black hole. No one on the outside knows what’s going on in there, how billion-dollar businesses are being built and run. You’re an insider now; tell us about the market place in general and InMobi breaking through the clutter?

A11. Naveen: The key to our success in markets like China is simple—offer a better product, ensure great local partners, and recruit the best local team. We focus on the developer community and in markets like the US and the UK, we focus on brands and advertising agencies to partner with. China is a competitive and harsh market but emerging successful there has given us so much confidence in our story. Additionally, because China is a mystery to the West, we find ourselves in a good position to help brands and app developers scale the Great Wall of China and do business there.

Q12. How much are you investing today in technology— creating new technology versus expanding to newer markets, making the venture bigger? How do you balance the two?

A12. Naveen: The key here is to largely focus on creation of IP and invest into it. The cycles of innovation are very dramatic in this business. Tectonic shifts happen every 6–9 months. The only way for companies to survive is to have massive geographic scale— being present in 35+ markets— and product diversification. InMobi emerged as a strong leader in 2013 on account of this and other players not being able to adapt to this pulsing ecosystem. We are not just another mobile advertising company. We are a technology powerhouse. We believe we will out survive competition by building a superior mobile ecosystem. Our strength lies in our award-winning creative teams, innovative solutions and products, combined with big data analytic capabilities that process 100s of terabytes of data daily to enable our customers to make real-time decisions and gain the maximum value from their investment.

Q13. Google acquired AdMob in 2009. They were at one point a company bigger than yours and a close competitor. How did you react to that news? Was it unnerving? And I'm sure suitors have come calling many times. What's given you the gumption to refuse?

A13. Naveen: I can't get into specific names, but yes, we've had many such conversations over the years. It's very simple for us—I think we are building something very interesting. We love what we are doing and I don't know what else I would do if I was not doing this; in fact, this is true not only for us founders but also for a lot of the folks that have been working here—we all love what we do. We think we will be able to build a great company here over the next few years and make India proud. We feel very passionately about these little things.

We will be able to change the space of advertising and we want to do that. And I don't know what probability I will have of doing this sort of thing again—create this magnitude of impact in the world again—so I feel privileged to be doing this today and I want to stick to it. That has been the simple reason behind our saying no to acquisition offers. People might think it to be something fancy, but it's actually just that simple for us, it's not complex at all—we love what we do and we are going to make some very big things.

Q14. Talking about building scale and sustainability, Sharad Sharma, co-founder and governing council member of software products think tank iSPIRT, of which you are part as well, had this to say about InMobi: 'There comes a time when a company does not win because it has a better product, but because it can build an ecosystem around its products. So, for InMobi, which has a very strong product franchise, the impending challenge would be to turn this into an ecosystem play. So whether InMobi can pivot itself into the next orbit will be determined by whether or not they can turn from being a product franchise into an ecosystem.' Do you agree with this assessment? How big an ecosystem will you have to become to stay relevant and secure your future?

A14. Naveen: I think this is an accurate assessment. You can get to a certain scale and stage by building a great product—that scale and stage can be up to a

USD 50–100 billion from a size of the company perspective—but if you want to be successful beyond that, you have to go beyond and start building an ecosystem around you such that others contribute to you and in your success. You become more successful because of everyone else contributing to you. I wouldn't be able to go into too many details, but we are in the process of creating that ecosystem; and in some small ways, we have already started launching that.

Q15. As an entrepreneur, as the startup matures and the business grows, your skill sets as a manager must evolve as well. Today, as a CEO of a relatively big business, how would you look at your evolution and what are the challenges that you see yourself facing in the future? How are you preparing yourself for that role?

A15. Naveen: I think, depending on how back you go, every day is all about survival; so you are fighting a very tactical war on a day-to-day basis. The beauty of that tactical war is the uncertainty— whether you will be there the next day or not! And therefore you fight those battles and you fight them yourselves. We've had instances where we have run out of money, where our servers have collapsed, where our biggest customer has threatened to move out and we could lose 80 percent of the business. We've had scenarios where the core part of the team was going to dismantle—so we've dealt with all these challenges.At that time the challenges are dealt with directly by you, you act like a warrior, fighting those battles, and it's a lot of fun because you are in the thick of all the action!

And then, even as the business grows, the interesting bit is that those challenges never really go away, just that they are not as severe as—will we see another day? The challenge has evolved to—how will we succeed in a year? So, your questions begin to change and your approach starts to change. At the same time that these questions begin to change, as an entrepreneur your own style has to change and you have to start letting go and let others make decisions. As a founder, one of the biggest challenges is to know when to give up that hat of a warrior and allow others to become great warriors, and to what extent to give up and to what extent retain things. To me striking that balance is key. We've been right and wrong on different occasions; it's a constant challenge to know when to hold onto to the reins and when to loosen your hold.

One of the things I have learnt is that if we do amazingly well in the business and come up with new strategies on how we do business, we can create a 2–5x multiplier. If we are great at what products we create we can have a 10–20x multiplier, but if we can really figure out how to attract and create amazing talent and unlock people's potential, we can create 100x multipliers. That belief in itself is not something that you can acquire overnight. We used to talk about it but today we actually believe in it. Therefore, from the early time when we fought every war, to letting go, to now where we believe that a lot of time has to be spent in unlocking people's potential and making them super, super great at what they are doing is the evolution that I believe the founders are going through. Markets will change, strategies will change, but if we have the best people in the world—people passionate about their work and who completely believe in our vision and our dreams and really doing it in a way that gives them great happiness—then we've created a great enterprise.

Q16. If you could go back and do it all over again, what would you do differently the second time around?

A16. Naveen: Well, if I could play cricket, I would definitely try and do that! If I leave out certain small things here and there, at a higher level I don't think I would change too many things. I wish I could have started this when I was younger, not that I started this when I was too old, I was 27–28. I wish I could have started this when I was 22 or 23 and not spent those five years anywhere else but building this business.

PubMatic

Company name: PubMatic

Founders: Rajeev Goel, Amar Goel, Mukul Kumar, and Anand Das

Date of incorporation: 1 September, 2006

Head count: >475

Geographical presence: US, Japan, Italy, Singapore, UK, Germany, France, Australia, Brazil, Nordics, and India

Mission statement: PubMatic enables publishers to realize the full potential of their digital assets. Since its founding in 2006, PubMatic has consistently been first-to-market with industry-changing products, services and systems for publishers. Our products are supported by always-on consulting and services that reflect our belief in putting publishers' needs first

HE'S A CERTIFIED mixologist, has a triple major in economics, political science, and Spanish. He co-founded his first venture in Silicon Valley with his brother while he was still getting these degrees from John Hopkins University, teaching himself to code while he was at it. He exited that venture during the 2000 dotcom bust, got himself a masters in computer technology from the University of Pennsylvania, and spent the next five years learning how large corporations work; first with his consulting stint at Diamond Management & Technology Consultants, an IT strategy consulting firm for Fortune 2000 clients, and then as a product marketing executive at SAP until it was time to start up again. His second outing as an entrepreneur has seen him build one of the 'fastest growing ad tech startups' globally with valuations cited at close to a billion dollars if it were to IPO this year. He's 36-year-old Rajeev Goel and his ad technology startup is PubMatic with headquarters at Redwood, California.

Rajeev and his brother Amar Goel grew up in Silicon Valley to immigrant parents who had moved to the US in the 1970s, a decade that saw considerable visa norm relaxations for professionals like doctors and engineers which drove Indian graduates from some of the country's best institutes to the Valley for jobs with the Intels and IBMs of the world. Rajeev's earliest memories of Silicon Valley actually revolve around dinner time conversations. 'Both my parents worked in high tech. My father was a chemical engineer and he was on the hardware side of things and my mother was more towards sales and marketing; she worked at companies like HP and Agilent and so one could say that she was very much on the software side. So dinner table conversations would be around innovation, product lifecycle curves, sales, market penetration—those types of things. There's a school of thought that says that kids grow up to do what they know how to do and things they get exposure to—in my case thousands of hours with my parents—so that is definitely in play here. I think the second thing they taught me, being immigrants and not having a lot of resources when they came to the US, is the value of hard work. They'd say that everything you achieve in life will actually only come through hard work, so never be scared of that and that's something I have applied to my whole career.'

Another thing the Goels let their sons do was pursue education and careers of their choice which explains Rajeev choosing to study liberal arts in undergrad and the brothers joining hands while still in college to start up their first venture in 1997. Amar and his college mate at Harvard, Nick Mehta, who were both studying for their masters in computer science and were amateur golfers started this venture in their dorm room with USD 350 when they realized that there was a gap in the market to access tour-quality golf equipment. The idea was to set up a website to sell customized golf equipment in the US – they called the portal Chip Shot. Rajeev joined them in the summer of 1998 and dropped a semester in college to work with his brother on the venture from their parent's garage. 'We went through all the mythological phases of a Silicon Valley company: dorm room, parent's garage, and then office space. What I enjoyed the most was building the team and building a product that I could scale. My role was to run product management and engineering, which eventually was a 50–60 person operation, as the business grew to over USD 30 million in revenue run rate in just 2–3 years. This was all in the very early days of the internet; today if you were to set up a similar store, you could do it with a lot of third party software but we had to use our own shopping cart technology, our own payment gateway, since there were no payment processing services—so I enjoyed building out the team and building out the product that could scale to all the different inflection points in the business.'

For 21-year-old Rajeev, who was still completing his graduation from John Hopkins in Baltimore, it meant taking a flight every Tuesday night to San Francisco to be at the Chip Shot office on Wednesday morning and returning to Baltimore on Sunday to report for class on Monday. He would do most of his course work and write papers on flights. This continued till Rajeev graduated in 1999. Elder brother and business partner Amar says, 'He's got incredible amount of drive in building things and leading teams. You also need to understand that back in 1998–99, it was really expensive to get a website up and running; Rajeev actually drove million dollar deals with Sun Microsystems and Oracle to get the servers and website going which is commendable given that he was 21–22 and dealing with fairly senior executives at those firms. Another thing about him is that he's a very black and white guy; I see things more in shades of grey. For him things are very cut and dry. He's an incredibly structured and logical thinker, and I'm not as strong in that as him.'

At the height of its success, Chip Shot had raised over USD 50 million in funding from the likes of Sequoia Capital and was the largest online retailer of custom made golf equipment in the US before things started unraveling for internet companies in 2000. 'The eventual wind up of Chip Shot took several years. I left the company in 2000 and it was sold in 2001. I was probably 22–23 years then, so for me it was a fantastic learning experience, but I also realized that there were a lot of things that I did not know. I set about on a course to use the next half a dozen or so years as a bootcamp for myself and go learn stuff from big companies— learn decision making, learn what kind of problems occur and how to solve them, how you recruit, how you build teams, and I also wanted to learn different functional skills. After spending 4–5 years at Chip Shot in product management and engineering, I wanted to spend time in sales and marketing to round out my skill set for the next startup opportunity.'

Rajeev figured a role in consulting would give him a good look at different industry segments as well as exposure to big corporations; so he joined Diamond Management & Technology Consultants. 'I had the opportunity to sell to the CIOs and CFOs at Tyco, Kraft, All State Insurance—all very senior executives at blue chip companies to whom I was selling multi-million dollar engagements. That gave me an opportunity to observe different industries and also learn how to sell and communicate at a much higher level than I had been exposed to in the past. After spending time at Diamond, the last gap that I wanted to plug was in marketing, and so I convinced some people at SAP in Palo Alto to allow me to run their new product introductions in North America. That was a fantastic opportunity to get exposure across analyst relations, pricing, sales force training, and enablement—all things that are required to bring a new product to market.'

Rajeev and Amar, who had put in time at Microsoft, got together again in 2006. They joined forces with two software coders in India, Mukul Kumar and Anand Das, who had held senior roles in technology and engineering at Veritas India to bring a new product to life—PubMatic. Very simply, PubMatic's software product is designed to help online publishers like news and entertainment websites, e-commerce portals and small and medium businesses to better manage and monetize their ad inventory. Responsible for innovations like the real time bidding platform (RTB) that changed the way online ads were sold and purchased, PubMatic today works with hundreds of online publishers including the likes of eBay, Paypal, NBC, and Kayak. It helps them with audience insights, as well as hands-on support that aids them in pricing, managing, and controlling the inventories they bring to market.

The idea for the venture emerged from Rajeev's experience as a publisher at Chip Shot and the dead ends they came up against when trying to monetize ad space on their portal. Rapid advancement in technology in the years since and the absolute explosion of the internet economy globally compelled the Goel brothers to look outside the US to build a truly global business right from the start; and they admit that India was one of their first and most obvious choices. Rajeev says, 'One of the lessons that I took from SAP was that there is great talent available everywhere across the globe and to be a large and great company you have to figure out how to harness that talent no matter where it exists. We thought about that and we also realized that a lot of our customers (publishers and advertisers) are very global in nature—whether it is eBay, NBC, webMD on the publisher side or the advertisers, the ad agencies—so in that sense it was very important for us to be a global company on day one instead of trying to build a global company in year two, three, or four. So we thought about what it would mean for a company like ours to be global and for us that meant, one, having access to talent wherever it is in the world and two, building a service, engineering and delivery model that can span the globe; this means helping a customer who has a problem at 2 pm on the Pacific Coast or 2 pm India local time or China local time. So we had to build that type of global capability and that type of global infrastructure. This led us to headquarter in both the US and India—the polar opposites across the globe—and build our organization accordingly; making the US our business HQ and India our technology HQ.'

Also with the talent and business costs in India being lower, PubMatic would be able to have a very large number of developers driving innovation as opposed to having all of the engineering in Silicon Valley. But the first couple of months were tough on the Pune-based co-founders, Mukul and Anand, who spent their time chasing broadband connections by day and making demos to clients in the US by night. ‘Out of the first 30 employees, 29 were in Pune, developing the product, and at that point I was doing all of the non-engineering work—product management, sales, financials, marketing. So the platform and engineering was very much driven out of Pune and that continues even today where we have only about 15 percent of the engineering team based in the US, equal parts in Silicon Valley and New York, and the rest in India,’ says Rajeev.

Today Pune is one of PubMatic’s largest engineering centres with over 400 techies working here and collaborating with teams in the US, Europe, Australia, and Japan, pushing out newer products and services. Ranked as one of the fastest growing companies in the US Internet sector by Deloitte in both 2012 and 2013, the venture has raised USD 76 million in funding from Nokia Growth Partners, August Capital, Draper Fisher Jurvetson, Helion Ventures, and Nexus Venture Partners.

The founders of PubMatic say that this USD 400 billion industry is at the cusp of big changes: in time all advertising will become digital and all digital advertising will become programmatic. Rajeev says, ‘Even today, a lot of direct selling of ad inventory happens via emails, phone calls, faxes that go back and forth; it’s quite archaic, so we are working very hard on work flow automation and a technology platform which we call Programmatic Direct to enable publishers on a direct sales basis to get many of the benefits of technology and automation. That’s a very, very large focus area for us.’

Rajeev is tight lipped about an IPO, but one thing is certain, this time round he’s not repeating mistakes from Y2K.

Q1. What were your biggest learnings from the dotcom bust that dragged your first startup Chip Shot down?

A1. Rajeev: It was great heights of exuberance and then great lows of depression for the industry generally. There was a time when there was an IPO everyday and stock prices would hit USD 50–100 and then six months later they were down to USD 2. I think the biggest lesson I took away from that business cycle was to build for the long term; if you build for the long term, everything else will take care of itself.

I read a statistic the other day that Pets.com, which was one of the poster boys for that period, when it went public in 2000, had only USD 5 million in revenue—clearly that scale, that size of company, is not mature enough to enter into the public markets. That's a good example of a venture having a short- term focus as opposed to a long-term one. Having a long-term focus is really the most important ingredient to build success because then market ups and downs from one cycle to the other don't really matter. When you are focused on building for the long run, you will have a private investor base, public investor base, and employee base that is similarly focused around that long-run horizon. So when things get choppy for six months, 12 months, or 18 months, you are able to manage through that quite successfully.

Another important lesson learnt was around bringing venture money into a startup. Back in the late 1990s, there were a lot of VCs that were raising new funds, their fifth, sixth, seventh funds, and these were typically USD 500 million to 700 million or even USD 1 billion funds. A big part of their focus because they couldn't find enough qualified general partners to run those funds was to put more money into companies rather than less—so one of the ways in which they put money to work was writing bigger denomination cheques; so instead of USD 10 million they would write out USD 20–30 million cheques. Accepting that cheque can turn out to be disastrous for a startup.

Another lesson learnt is from the Chip Shot days is to make sure we are taking on the right amount of capital that is congruent with the market opportunity and the potential size of exit—whether that comes in 5 years or 15 years. That was a challenge at Chip Shot; we had imagined the platform to be much bigger than we could reasonably build it to in a one to three year time frame. At PubMatic we haven't shied away from raising capital but we've done it at very different stages in the company's life cycle. We've raised a little over USD 70 million in the history of the company which is just slightly more than what we had raised at Chip Shot, but here we have achieved many more multiples of scale in terms of revenue, customer base, transaction volume, etc; so it makes sense in that context. Also we have been much more capital efficient and are actually among the most capital efficient companies in the ad technology arena.

Q2. In the preface of a Steve Jobs interview in the mid-1990s with *Wired*, Gary Wolf wrote: 'The new Steve Jobs scoffs at the naïve idealism of Web partisans who believe the new medium will turn every person into a publisher. The heart of the Web, he said, will be commerce, and the heart of commerce will be corporate America serving custom products to individual consumers. The implicit message of the Macintosh, as unforgettably expressed in the great "1984" commercial, was Power to the People.' It seems like Jobs was talking about entrepreneurs like Amar and you and companies like Chip Shot and PubMatic when he spoke of 'custom products'…

A2. Rajeev: I think one of the things Steve Jobs was talking about is mass personalization—custom products, tailored for each individual. In Chip Shot, we built custom golf equipment which could be purchased directly off the web and sent via physical mail and that was really a play at mass customization of sports equipment. Back then, when we launched Chip Shot, there was very little out there in terms of customized golf equipment; so many golfers would play with the same clubs irrespective of their size, ability, arm length, height, etc.

With PubMatic, the mass personalization is around the ad experience. What we specialize in is allowing big publishers to deliver the right ad to the right consumer within 100 milliseconds and by doing that, the publisher significantly improves the ad experience for the consumer. This is done for trillions of transactions on a monthly basis, tens of billions on a daily basis. So we have achieved a significantly higher scale of mass personalization at PubMatic than we had at Chip Shot. This has been aided by the transformation of the internet, software ability to process data and to deliver customized products, and capabilities at scale to the consumer. And we are seeing this in virtually every industry; think about the car buying experience now versus 10 years ago—earlier you would have to go to the lot and pick one, now you can order it online with all the specifications you want and it will be delivered to you in 10–15 days.

Q3. Did you suffer any self-doubt or fears when you were starting up again?

A3. Rajeev: I was young enough to be over confident in good ways and bad, but self-doubt inflicts every entrepreneur. I like to operate with a healthy dose of paranoia. As much as we have achieved at PubMatic, there is still so much further to go; we are in very early innings. We are a 400-person company going on 600 people this year—there is a great opportunity to build a significant and valuable company over the next several decades and that is the position we are in. But even around that, there is an element of self-doubt—do I have the right skills, the capabilities to continue to grow the business in the right way? And, of course, for any of these kind of high tech companies, the vision around the products you are developing is a big part of the success. One must have a specific vision for how the industry will unfold and how the company should unfold within that; getting those two things right is important.

Q4. Where did the idea for PubMatic come from?

A4. Rajeev: Amar and my experience was most formative; Chip Shot was an e-commerce store but it was also a publisher because it created a direct relationship with consumers which could be monetized through commerce as well as advertising. So we set our roots when we were starting PubMatic by going back to our Chip Shot days and thinking like publishers: How do we figure out which ad network to place on our website; there are 30–40 different ad networks out there. How many ads do we place on the site? Where on the web page should those ads be? We went and talked to various publishers to ask them how they worked out these challenges and we got very unsatisfactory answers. All of them said that they had done some A/B testing, tried something for three weeks, then something else for three weeks; but eventually they had to move onto other things so they set something up to push things along and just forgot about it. Often they said: 'We know we are under optimizing and leaving money on the table but there is no better way to do it'.

Amar and I both have backgrounds in computer science, so we both thought of the problem at hand from a systems and data perspective and analysed the opportunity. When we looked at the publishing industry, we saw that the publishers' side of the online ecosystem is hugely underserved from a technology and services perspective. So there are hundreds, thousands of companies out there helping the advertiser who is paying dollars to place an ad on a publisher’s website, but there are just a handful of companies that focus on helping the publisher. We stepped back and saw the broader opportunity of building a multi-billion dollar publisher-focused technology and services company. And we said now is the right time given all the technological changes happening in the online advertising industry to build a company focused on publishers.

Q5. And tell us what the first couple of years of working on the venture were like—the highs and lows?

A5. Rajeev: Early on, there was one high and low point. The high point, which is a little counterintuitive, is that after we had built the first version of the platform I went to look for venture capital financing—this was in late 2007—and many of the first dozen or so VCs I spoke to all declined to take the investment conversation further. They said that you have a publisher focused business model and no body we have seen so far has been able to make money from publishers in online advertising, so we don’t believe that you can and we’re not kicked about funding the business.

So while you may think that that was a low point for me, it really was a high point because there tends to be a herd mentality in the investing group. So knowing that the business idea and business model was very counter-intuitive and not an obvious model gave me a lot of comfort and excitement that we would have an opportunity to build a business for the long run without a huge amount of competition because if it was a lot more obvious business model, there would have been many more people doing it and there would have been a lot of VCs funding those businesses. So it has played out in a way that there are actually very few businesses on the publisher’s side and perhaps 1000s on the advertisers’ side of the ecosystem.

A major low point came in 2008, shortly after our first fundraise, right before the financial crisis unwound. We had raised money and Draper Fisher Jurvetson (DFJ) was one of the first investors. We put most of the money into our bank account as an auction rate security—these are very short-term, highly liquid securities and they provide a yield that is higher than what you’d get on cash sitting in your bank account. In late 2008, when the financial crisis hit, the auction rate security market froze. So anybody who was holding them could no longer convert them to cash and there was a significant crisis in Silicon Valley around that because many companies had put their venture money into auction rate securities. Because many early stage companies are typically not profitable, just making payroll and meeting office expenses every month can be difficult without ready cash. So our money was tied up and the first response from the bank was that you can't take the money out and we don't know when you can take it out. Then, several months later, their response was that at best you can take it out in six months and even then you will have to take a discount on the securities. That had us in a panic and we had to get DFJ to write a letter to the bank to basically threaten with their multi billion dollar portfolio with the bank for us to get all of our money back at 100 percent. That was definitely one of the low points and it was an area that we typically should not bother with but startups don't always go that way.

Another challenge came in early 2012. The business had been growing significantly, in fact in 2011 we were up over a 100 percent in revenue growth basis 2010, but I came to the conclusion that I needed to change a significant portion of the management team. Despite having tremendous success the previous couple of years, it became apparent to me that the management team that had done a great job to get us to that stage of the business would not be able to grow the company another 10 times over the next 10 years. I went to the board and told them that I plan to change out most of the management team and I would say that they were sceptical given our performance and the trajectory that we were on, but they gave me the freedom to make that decision. So, over the course of 2012, I ended up changing almost 85 percent of the management team in the company; that was a very challenging time for the company because there were ripple effects into the mid and lower levels too. But we came out of the process at the end of 2012 with a much stronger team for the next phase of the business and we have seen that play out in terms of our growth.

Q6. What has been your approach to innovation and launching new versions of your products?

A6. Rajeev: I think innovation is always messy. Look at any large company—Apple, Microsoft, or say Starbucks, and PubMatic is a fraction of the scale of these—they've all had challenging points in their life cycle and one of the most difficult is when you are out of the gate bringing a new solution to the market. People don't understand the opportunity or the long-term vision around the solution. The personal computer is a good example…there were a lot of detractors and naysayers out there in the market. Even for us at PubMatic, where we were the first to build an optimization platform for publishers to help them improve the ad experience for the consumers and in turn increase their revenues and operational efficiencies, the process was messy!

The first version is never going to be good enough and you can choose to spend 10 years trying to build the perfect first product, but you will still not get it right. So you have to put something out there quickly and get feedback on it and iterate it from there. There will be some customers who will get that and some customers who have a harder time managing through that, but that never deters me because it goes back to building a business for the long term. If you have that focus in mind, then all of the rest is just noise along the way.

Q7. The industry you are in today is highly, highly competitive and one that's extremely dynamic in terms of the innovations that are flowing into the market place. How closely do you track competition? And how do you ensure that your innovations continue to be relevant to the industry?

A7. Rajeev: The industry is extremely competitive and dynamic and that is what makes it exciting. So it's very important that the founders, the CEOs, and the product leaders have a very clear vision of where they are taking the company and the industry over the next five years. It is important to pay attention to the competition, but never to follow them. A mistake that some companies make is that they build out capabilities or features just because a competitor built them, as opposed to understanding where the company is today and where they want it to be in five years. You need to know what that path looks like and then build up capabilities on that path. By having that vision and innovating very hard on that vision, you can actually turn the tables on the competition and put them on the defensive by forcing them to react to you.

The key to staying relevant is having a very heavy and deep innovation capability and that comes from two sources. Firstly, the founding DNA of the company has to be such that it drives technology and innovation. So that comes at the very outset. Then the second thing is to have a very deep bench of internal development capability so that whatever you need to build, you have the capability to do internally. You might make mistakes and learn and iterate, but you need to have the ability to do that internally in an effective manner. So, I would say invest in the team, the technology, and the infrastructure to drive development and keep the competition on the defensive.

One example I can give you is of the work PubMatic has done in the analytics and reporting space. The industry has been very focused on real time bidding (RTB) and increasing the number of transactions that are driven by RTB. The transaction volumes are growing so quickly that it can be challenge in itself to scale this up and manage trillions of transactions and with each of these transactions generating a good amount of data—who is the user, who is the buyer, what are they bidding, how much are they paying, did they win or lose—all this is data that is generated in every transaction; so we are talking about tera-bytes and peta-bytes of data. One of the things that the industry has not dealt well with is unleashing all this data and creating reporting and analytics platforms that allow sellers and buyers of advertising to be much better informed about what is going on. All this data can be used to understand trends better and take steps to drive certain outcomes. We see this as a big opportunity and we are making very heavy investments in reporting and analytics so that we emerge to be the very best in this space within the online advertising ecosystem.

Q8. You recently acquired Mocean, a mobile ad server for publishers. What's your approach to scaling up and expansion— organic versus inorganic growth?

A8. Rajeev: Our approach has always been heavily organic. A technology-driven industry has to have a strong organic capability and when companies don't have that, they lurch from one acquisition to the next and tend to overpay for the acquisition because they lack the capability to build technology internally. Too much M&A can also irreparably harm the culture of the company because it is hard to maintain and grow a culture when you keep bringing in people from the outside in large numbers. So for us we have always had a very deep and strong innovation capability. We examine inorganic only where we think we can accelerate technology development or the hiring process, but for us it will be relatively few and very selective set of opportunities.

In the case of Mocean, which is the leading ad server for publishers, it was in an industry that we were looking at for nearly two years. It wasn't something that we moved on very quickly; rather we scouted the industry and the market and followed quite a few companies for two years before zeroing in on the decision to acquire Mocean.

Q9. I was reading your blog on *Wired* about PubMatic's 'human API' approach. You say, 'As the CEO of a large advertising technology company that makes much of its money from an advanced platform that allows publishers to maximize return on their ad inventories, I should probably have nothing but praise for the complex algorithms that make my business possible. And I do. But more and more, my industry, like so many others at the economy's cutting edge, is learning the surprising truth: tech is not enough. To truly thrive, what we all need to focus on is the human API.' Is this your way of now future proofing the business?

A9. Rajeev: I think one of the paradoxes, globally speaking, is that as machines have become more and more prevalent—from automobile manufacturing to software and the internet— the need for a human element counselling and guiding that automation has become even more important for overall success. This is particularly true in the enterprise software space where you are working on complex challenges and problems and you have clients that are maybe out of their element in solving some of these problems, so they need a very sophisticated level of help in order to achieve their goals.

What we have seen at PubMatic is that the industry has gone through an evolution of a do-it-for-me starting point to a do-it-with- me period. Initially the publishers did not have the skill sets or the capabilities to do anything with real time bidding or optimization in-house, so they were totally dependent on a third party like us to deliver all of this for them. But now, as this has become a much more significant revenue stream for them, they want to understand it much better and they've started to bring the right people directly into their business to manage this. So we've had to transition into working with our clients to deliver the outcome instead of just delivering the end outcome directly to them. We've got to build the software in a different way, we've got to design the product, user interface, in a different way so that our clients can ultimately get more out of being their own end users of the product. It is also a very good sign because it shows that there is a significant expansion of the market opportunity. Any time you see this sort of thing happening, it's a signal that the market is set to grow at a much more rapid rate going forward.

For us one of the goals is to see that our technology fades into the background and in order to achieve that, you often need a heavy human touch capability or human API (application programming interface) where it is not just technology for the sake of technology—it's actually people that come with the technology that provide an insight, analysis, strategy, or guidance. So for many of our clients, we are not just the technology platform but we also help them transform the business so that it is ready for the next phase of growth in terms of automation and digital advertising.

Another example would be the formation of a consulting line of business within PubMatic. That may seem a little counter-intuitive in terms of a technology company having consulting services but with a lot of our clients we are helping them transform their business, so we have over the years gathered observations across hundreds of client. We can help a new client understand what are some of the trends and challenges, what they need to do to reorganize their workforce, what their compensation strategy and structure should look like—a lot of this is not technology-based but these services will help them move their business forward and give room for the technology to come in and do its work.

Q10. How would you describe your management style?

A10. Rajeev: It's a constant balance between data driven decision making and being comfortable with ambiguity. I am a very data driven person, so I will consume large amounts of data on a daily basis in order to understand what is happening and make as informed a decision as is possible. But I think one of the things that consulting taught me was to be comfortable in areas of ambiguity. When you go into large organizations like Kraft or All State Insurance, and you are there for three months, you see people there who have been working for 30 years. They have a lot more data about the business than you do, so you have to get comfortable with understanding the areas which are question marks versus areas that are known and then figure how to drive those question marks to resolution. So five years in consulting gave me a very high degree of comfort in dealing with ambiguity which leads to using instinct in the right places.

The creation of real time bidding (RTB) is a great example of that—RTB didn't exist in 2008. There were no customers asking for it because, of course, it didn't exist and no body knew to ask for it. I saw that creating a common protocol for describing an ad and transacting around an ad would add so much data into the advertisement that it would drive the value of that advertisement up. Previously people had different ways of describing every ad because there was no common protocol, so my hypothesis was that by standardizing that and increasing the number of data parameters, there would be a significant increase in the value of advertising. So we spent six to nine months investing in it and building it before we saw the pay off on that investment; but that's a good example of having intuition and then having the gumption to stick to it.

Q11. Elon Musk is one of the entrepreneurs that you highly admire. In that context, let's talk about his move to free up Tesla's patents. What did you make of this move and on a broader note do you think young entrepreneurs like Musk and even yourself are ushering in a new way of doing business?

A11. Rajeev: For any company that reaches a certain level of success, there comes a point where it has to be really disruptive to move ahead; it is important to keep driving that success and be the change in the industry. So the company gets to a certain size and then for them to continue to be successful, it is important for them to become not just the change agents in the industry but to actually change the industry, transform it. For us, our real time bidding platform for publishers was clearly a very powerful capability that was made public. If we didn't do that and kept it from buyers and sellers, then real time bidding would not work because you needed a lot of buyers to adopt the same protocol and even competitors to push that standard to change the industry.

For Elon Musk, I suspect part of the reason was that he wants to change the auto industry faster than his company alone can. So by opening up that technology and allowing everybody else to use it, he'll accelerate the push towards the adoption of the technology that he's created. He will change the industry much faster and he believes this will only help Tesla be more successful.

Q12. A piece of advice you hold close?

A12. Rajeev: For an entrepreneur, the best advice is to make your personal success the company's success. Once you replace your personal agenda with the agenda to make the company as successful as possible, and that is infused into the rest of the team, you're set up for long term success. Then everyone's agenda is similar and clear, and everyone is driving towards that common goal.

Vizury

Company name: Vizury

Founders: Chetan Kulkarni, Vikram Nayak, and Gourav Chindlur

Date of incorporation: 5 December, 2008

Size: Revenue of INR 129 crore in FY14

Head count: 200+

Geographical presence: India, Brazil, China, Taiwan, Australia, Japan, Korea, UAE, Indonesia, Mexico, and Poland

Mission statement: Vizury helps marketers secure customers for life with industry-driven, personalized display, and re-targeting solutions across channels

'WHEN YOUNG TURKS featured us in November 2012, it was the first time I was on TV. I still remember that my father went personally to the 50-odd houses in the neighbourhood in Belgaum where they live, telling them that his son was going to be on TV and that they should watch the programme. I'm sure, at that time, it laid to rest any doubts he might have had about the decision that we had taken 3–4 years back,' says Chetan Kulkarni, co-founder and CEO of Vizury. The decision, four years ago, was to give up a senior management job at Trilogy India, a subsidiary of the US-based software firm, and start up. Chetan says it took him a week of making overnight bus trips to Belgaum from Bangalore to convince his parents, a retired Karnataka government official and a homemaker, that he was doing the right thing. 'They couldn't quite gauge what was happening; they couldn't understand the pole vault I was doing—because before I could go up again, I would have to come right down. In contrast, my wife comes from a business family and her father is someone who had bootstrapped and built a successful business; so she was okay with it. But the funny part was that we had had an arranged marriage only the year before and I had probably been approved of because I had an NIT, Surathkal and IIM-Lucknow tag and a stable job and career. And here I was, 12 months later, telling them that I had quit my job!'

Two hundred metres away, in an adjacent bylane in that very same Belgaum neighbourhood, Vikram Nayak, co-founder and chief technology officer (CTO) of Vizury had a similar conversation with his family.'My sister is a doctor and my father was a state government official working for a government polytechnic. My mother was a housewife but also has an MSc in Chemistry, so overall education had always been a top priority for us. It was a typical, conservative, middle-class upbringing, so at no point of time did I have any ambitious plans of starting up anything of my own. My father passed away in 2007, so he was not around when we started up. Also starting up Vizury was pretty gradual. My mother was fairly okay with it, so was my wife. There was general curiosity and hesitation but they were quite supportive.'

Born and bred in Bangalore and an MBA from IIM-Kozikhode, Gourav Chindlur was the only one of the trio that met at Trilogy, and came together to set up Vizury, who thought he might have it easier because he came from a family of businessmen. However, his mother had some tough questions for him. 'My father passed away when I was quite young. My mother was obviously extremely worried and concerned when I told her that I want to startup something of my own and give up a steady job that was paying me a lot of money. Her biggest concern was: how are you going to get married? But I guess what gave her comfort is that for a very long time I had been in charge of my academics and career and have been taking decisions on my own; she knew that I wouldn't do something that was too disruptive and she knew that I always take very informed decisions and that I am very careful about my career and so on.'

The question remains though—why did this trio who were then in their late twenties and early thirties want to start up and what gave them the confidence that they could make it outside the relative comfort and security of a corporate job? Chetan explains, 'When we look at entrepreneurship, it generally tends to be a combination of passion that you have internally and then an opportunity that you get attracted towards. We had collectively spent 10–15 years looking at the way internet advertising was shaping up, especially in the US market, and then around us we started seeing that India, China, and some of the Asia Pacific countries had started seeding their own internet revolution as well. So when we looked at that and the skill set that we brought to the table, we thought we could make a genuine impact by going after a large problem in the online advertising market. What exactly the problem was we didn't know yet. That was the genesis of Vizury. I still remember the initial discussions between us wherein we would go to a park, take long walks just trying to define the problem that we wanted to take on, and eventually it boiled down to a triangle of data, technology, and marketing around which we wanted to play.'

They were not exactly in the flush of youth though, and had families to support, so the founding team gave themselves a runway of 12–15 months to get Vizury up and running. The solution they aimed to build was one that would solve the problem of aimless advertising—they wanted to create a digital visitor relationship management (VRM) product that would target relevant advertisements to a user based on his or her online browsing history. They rented a two-bedroom apartment in Bangalore in 2008 and started up Vizury.

Vikram recounts that most of their initial challenges boiled down to the paucity of capital. While they worked on developing the product, the no-revenue-no-salary situation made them very conscious of every rupee they spent. ‘Even something simple like buying a plastic table and chair would be up for debate. But those were fun times because it was a very new experience for us. We were all first time entrepreneurs and we didn’t have money to hire people so there was a lot to do and a lot of hiccups. For instance, we needed to host our own online infrastructure so that it could be accessed 24/7, so just to be cautious we started off with shared hosting because at the beginning the demand was not so high, it’s not like millions of requests were coming through to the server. But there were instances when the traffic would spike and the hosting provider would suspend the whole domain which was extremely embarrassing and scary; it’s funny when you think about it now but at that point of time it was a challenge because we couldn’t afford bigger infrastructure,’ says Vikram.

While the technology was being developed and the business monetization plan was going through iterations, the team hit the streets to see if they could raise funds to keep the venture afloat. ‘We started going to the market with the thinking—we are three bright guys with IIT, IIM pedigree trying to solve a problem that is hot, so why would we not get funded? But when we hit the market, the stark realities hit home too. One of the VCs we approached said in typical Hindi: “*Iss mein dhanda toh hain par tum karogey ya Google karega uska pata nahi hain*.” Another feedback was that you guys are just too early—get the prototype out, have 5–10 working clients, get the first INR 40–50 lakh of revenue, and then let’s talk. The other extreme reaction we got from an angel investor was: “I like you guys and the problem you guys are solving, so I would like to take a majority stake in your company, become the CEO, and can you guys become the employees?" But you have to take this in your stride and keep moving,' says Chetan.

Keep moving they did, until the end of their 15 month runway started looming ominously close ahead. 'March–April, 2009 was when we started entering the danger zone because we were one year into the venture with zero salaries and no revenues—so it was becoming a challenge both on the personal front and on the business side. But then in mid-2009 we were able to raise an angel round and it was a relief. It acted as good external validation— some friends and former colleagues from the industry bought the story and they invested in the team even though traction-wise we did not have a product in the market yet. Though this boosted our confidence, we knew we needed traction in the market to survive,' says Vikram.

The challenge now for the team was to crack a viable business model that would attract online advertisers to sign up. 'We experimented with a platform fee or a licensing fee model, where we would take a fixed fee from a client (an advertiser) and let him use the platform. That was one thing we tried but it didn't have too many takers. On the advertising side, things can happen in a few ways. One is you charge the advertiser for just showing the ad, the second is where you charge the advertiser when a customer clicks on an ad; and the third model that we finally chose was a model where the advertisers pays only after the user clicks on an ad, comes to the advertiser's website, and makes a transaction. We preferred the third model because that had the lowest risk for the advertiser. Also, coming from Trilogy, which has a very strong customer focus, we were tuned to always focus on the value being created for a customer. We brought that thinking to Vizury and wanted to be able to prove to the client that real value was being brought to the table—advertisers needed to be convinced that we were doing a good job with their money and so we went for the pay on performance model,' says Gourav.

This sealed the deal and Cleartrip, an online travel ticketing portal, became their first paying customer. This is how Gourav decodes the psyche of the Indian customer, 'Indian clients are only open to adopting new technologies that have a good ability to show performance and return on investment (ROI). We found that Indian companies, especially the marketing and CXO teams at e-commerce companies, have a good flair for technology; they understand how performance works and so on. So once we put a solution out there that was performance-driven and that helped clients get incremental value on their ad spend, they had nothing to lose by trying it.'

Another attribute that has helped the team win business was their aggressive sales pitch and focus on the client's needs. Gourav says, 'Early on in the company, very often we would sell stuff that we had not built yet. For example, we would go and tell our client that we have this feature, bag the order; then Chetan or the sales person would call back to say that the client has bought this; then Vikram and the engineers would get down to actually building something like that. It used to be tough, but it was good in a way because we were then building only what the clients actually wanted and not just working on stuff that we thought was wanted or needed; so we were getting direct market validation.'

It was only after they had bagged 5 clients in India and turned in revenues of close to a few lakh rupees in 2011 that the team at Vizury started looking at offshore markets for expansion. Chetan says that the early days were all about maximising limited resources. 'When we thought of expanding outside India, we didn't even have money to travel and LinkedIn was our only professional window into the external world. So what we did was we unchecked the India contacts box on LinkedIn and looked for first level contacts that were not from India. We discovered a bunch of people in the US—but that was a market we did not want to go after. Then my younger brother's name popped up; he was at the time doing a two-year full time MBA at CEIBS, Shanghai. We asked him to check if he had any contacts to e-commerce or travel companies in his alumni base. CTrip turned up in his search—they are the big daddy of all travel sites in Asia with a market cap of about USD 7 billion, 60 percent market share in China, and listed on the Nasdaq. So we said why not try our luck there since they didn't seem to be using a solution like the one we had to offer. So we got my brother onto a two-hour phone call and trained him with the pitch deck that we had and asked him to send out an email to his alumni group which included the VP of Marketing at CTrip. We just took a chance and that gentleman responded and put us in touch with the right marketing manager who we needed to be talking to. The next week my brother went on to made a two-hour pitch to CTrip and they signed up! I still remember the process from there on. They had this tier-one US-based law firm send across a 100-page contract for us to sign and on our side we were six of us sitting in a two-bedroom house wondering what to do with it. Then I pulled in my wife who is a lawyer to help us negotiate the contract.'

The CTrip deal essentially paved the way for Vizury's Series A financing. VCs started to see that this product was working not only in India but also that there was an international story playing out. Today China contributes over 25 percent to Vizury's topline and the venture has offices in ten countries—China, Indonesia, Japan, Dubai, Australia, Brazil, Korea, Taiwan, Mexico, and Singapore, but its over 600 client base is spread across 40 countries globally. Vizury, in June 2014, completed its Series C funding round with the likes of Intel Capital and early investors Ojas Ventures and Inventus also participating in the latest round. An IPO is not too far for this company that's grown 25 times in the last two years. Chetan says, 'When I look at our numbers and look at our peers in the US and Europe, I see that they listed their ventures on the stock exchanges when their revenues were in the USD 150–500 million range. We have been recognised by Deloitte as the sixth fastest TMT (Technology, Media, and Telecommunications) company in Asia-Pacific; we certainly see strong traction going forward which means that that USD 150–500 million range is perhaps a year or a year and a half away for us. Once we near that figure, we'll get very serious about the exact modalities of listing.'

Cautious, optimistic, humble, and a team that never takes anything for granted. 'I still remember in Bijapur, in the summers, there used to be water cuts and my mother and I would walk half a kilometre to get water. Those experiences really keep you grounded and humble and real! They also give you an inherent strength to fight against odds. I feel that when I started the Vizury journey, the humbleness and the grounded-ness helped me not take things for granted,' says Chetan.

Q1. Would you say that arriving at the decision to create a performance-based pricing model was one of the important inflection points for Vizury?

A1. Vikram: Yes, I think, once we got the offering right, and it was aligned to the return on investment criteria for the advertiser, there was very little resistance from the market. Actually the e-commerce guys, the travel guys in India, were pretty excited with the product once we got the business offering right.

Gourav: If you look at it from an inflection point view, then the other piece that becomes important is getting the business model right and that allowed us to spend time on our core strength: designing the product itself. We wanted to spend more of our time on the product, on the solution, on the technology aspect, and less on the operational and sales aspect of the entire piece. So what we did was to tie up one side of the puzzle—make it as simple and straightforward for the clients as possible. And so as we went ahead with the performance-based model, it not only helped us bag clients more easily, it also ensured that clients stuck with us for a longer duration—we were able to sign contracts that were as long as six months, one year. So that tied up one side of the puzzle so that we could concentrate more on technology—improving the matrix, improving product features, and then delivering a better solution.

In most markets, our proposition is based on performance in one way or the other. We localize it based on what is working in certain markets. For instance, Brazil is a strong cash on delivery market for e-commerce ventures with a large number of cancellations, so our performance solution incorporates the fact that there might be cancellations and we don't charge our clients for orders that go through because of our platform but are subsequently cancelled. But in China the market is very strongly tilted towards return on ad spend, so we get a percentage based on the return on ad spend that we deliver for the client. China is more cautious when they pick a performance display sort of solution because they haven't seen much of this in their market yet.

Q2. To what extent is the core product customized for individual clients and how feasible is this strategy in the long run?

A2. Vikram: We started from day one with customization in mind; in fact there were times when we used to write code for each and every client that came on board—we would even tweak the entire platform to accommodate a client. When you have 10 clients it's manageable, but when you reach 50–100 clients, it becomes hard to keep servicing the old ones that have a lot of customization. So that is a challenge not just for us but for most product start-ups—balancing these two aspects.

But having said that, customization is definitely one of the core differentiators for us; we will continue to invest in that and continue to service the high profile clients in a very, very customized way so that it creates as much value as it can. What had happened earlier on was that we didn't really have the architecture to support the customization—we'd start changing the core components just because we had to move fast and that's what caused problems. Now we have a core platform and plug-ins on top of that which can be changed so it is much more sustainable. We will definitely continue to customize for our clients because it is one of our core strategies but the way it is being done now as compared to 4–5 years ago is very, very different. This sort of architecture takes time to develop and therefore it is a challenge when you are a startup.

Also over a period of time, what happens is that you develop an IP (intellectual property)—an IP with respect to a geography, a domain, the vertical—so getting a new client and servicing them is not customization from ground up. There is already a lot that the platform offers and that it has learnt over time and there are a lot of customization hooks already built in to attract the client.

Q3. Your initial approach to client acquisition was more trial and error—via LinkedIn, through investor contacts and so on. What is your client acquisition strategy like today?

Chetan: Initially business development is very opportunistic because it is a question of survival and taking up whatever comes your way, but in the last 2–3 years, things have changed. Geography is one way to slice it; the other way is the size of the client. The analogy that we use is that a start-up is like a hunter who goes into the jungle with one bullet. If he sees elephants, deer, and rabbits, the question is which animal would he shoot down because he is without food and needs to survive? And the thinking or strategy is that you should be hunting deer as a startup which means that you should not go after too large an animal because the bullet may not bring it down and not go after too small an animal because you may end up wasting the bullet as the rabbit scampers away. So we have been deer hunters—where we look for mid- to large-sizes clients.We started with mid-size clients and as we have built more ammunition we have gone after the larger ones.

In term of taking this strategy to market, in any new market we entered we kept aside the top ten clients, the elephants, and the 101-and-later clients, the rabbits; we targeted the guys between 11 and 100 as the first go-to-market clients. And then over time we have developed a more direct and consultative sales channel for the elephants—they need a longer sales channel as it takes longer to understand their requirements. But in the meantime, the hunter, or Vizury, has accumulated a few more bullets by having raised funds, attracting local talent, and building a strong sales team. With the rabbits, we are essentially more channel led which makes the approach and execution light weight so that we aren't expending too many of our overheads on them but still reaching them.

Q4. What has the China experience been like? What has it taught you about business, about competition?

A4. Chetan: We did a lot of research about the Chinese market before we entered it. As Robin Lee, the founder of Baidu says: 'The reason that the Fords, GMs, and Chrsylers of the world have been more successful in China than the eBays and Amazons is because they have a longer horizon and because they are more patient than the internet companies that want to see the hockey stick sales and profit curve right away in each market that they enter.' So our philosophy around China has been: invest slow but invest deep in the market so that you are building a strong foundation for yourself quarter on quarter, year on year. The way we entered China was station two guys in the market for almost two years, essentially trying to baseline the product for us—we had clients like CTrip who were giving us the initial budgets to function; now there must have been at least 25 other such big clients in the market but we did not target them initially. We wanted to baseline the product, get the economics of it right, understand the legal structure that exists in China and then build a structure on top of it. And that takes time because it's a different planet as far as the ecosystem is concerned. For example, in no other country would you need a license to put up a server, but in China you need something called an ICP license or an Internet Content Provider license that needs to be put in place, otherwise you need to go through the 'great wall' which slows the entire thing down for the client. Another thing you would need is something called the *fapion* which is an invoice printing device to issue invoices locally and collect the money. All these things are actually step zero for conducting business; so we very patiently laid that ground work and once we hit the sweet spot where we knew everything was in place, we ramped up the number of people we had working in China by 10x in 2–3 quarters. And the business really grew for us from that point on. Today China is a very significant part of our bet and will continue to contribute a significant part of our revenues as well.

Q5. What has your experience in different developing markets taught you about doing business?

A5. Chetan: Let's look at the four or five developing markets that we are present in and I can certainly share one thing that we have learnt and imbibed in each of those markets. Let's start with China. China for us has been about speed, and this is not the speed of spending money or the speed of deploying resources but the speed of learning. The guy who wins in China is always the guy who learns the fastest and that is a learning curve that we went through in the first two years. Now when we look at baselining any market, we look at the China list of requirements which is a very exhaustive as opposed to what one would normally draw up for a developed market.

Indonesia has been about patience. As a market it has been right up there to explode on the e-commerce front and also on the digital advertising front for a while, but the ecosystem is such that it is very localized—you would not find a standard set of protocols or technologies for you to consume data or show a targetted advertisement in the digital channel. So that has been a slow and strong learning curve.

When I look at Taiwan—this is not a developing market from an economic point of view, but it is still developing from a digital perspective. I think the learning has been around localization for the product, the way consumers want to be targeted, localization around language.

Brazil has shown to us the worth of relationships. It has a strong Portugese influence and that brings in a certain style of European functioning which involves deep-rooted relationships wherein business gets discussed, debated, and signed up during lunch and drinks rather than in corporate boardrooms. And this learning came over time and has been driven by a very strong leadership team with local talent which we have developed. The local team has helped us navigate the market, but as the senior management team we have imbibed these nuances too and that has helped us execute at a strategy level.

Gourav: Looking back, I think the most interesting and challenging clients have been in Japan. Being a developed market, they have a certain style of working in terms of their expectations, budgets, certainty of delivery of a solution etc., so Japanese clients have been extremely demanding. But that has also given us a great opportunity to refine our solution, methodologies, and processes and apply some of these to other markets as well. For example, we work through a partner in Japan called MicroAds with whom we had an interesting experience early on. With MicroAds we were dealing with a couple of different clients and from our side there were 4–5 guys from our team on that account trying to get things done, but from their side there was just one person handling everything and he was there 24/7. This sort of time and client management prompted us to put together better processes for our teams to increase their efficiencies.

Q6. Your foray into Europe was an unsuccessful one; what were the impediments?

A6. Gourav: We tried entering a couple of markets in Europe in 2011 but what dawned on us was that there is a very high level of competition in these markets. Now that is something we could have dealt with but one can only execute effectively in an offshore location if one has good partnerships. There needs to be a very high degree of commitment from both sides, flexibility, and the right attitude to make it work because at the end of the day it is partnership between different cultures. It might sound mundane but there are all sorts of issues around timezones, logistics, work culture that crop up. When we started working with some partners in these markets, we realized that there is a very stark difference in the cultures, in terms of commitment levels, to make the entire piece work. For example, people would not work beyond 2 pm on a Friday, people would not work in the peak of summer because it is too hot in some of these markets, people would not work during the entire months of December and January—so these factors impacted our speed of deployment in these markets and our ability to get things up and running. And then when we looked at APAC and Japan, working with people here was culturally more conducive in terms of how we wanted to take things forward.

Q7. In each of the global markets where you have a presence, you've worked on building a local team. Has the process of bringing in global hires been testing? How difficult has it been convincing professionals that working for an Indian company is alright?

A7. Chetan: You don't realize it when you work in a MNC, but something as simple as getting a visa to a country like China or Australia or Singapore for business can be a big challenge and we faced all these challenges as we wanted to go to those markets and talk to and hire candidates.

For China, we went through our investors and hired a very senior consultant who could be the face of Vizury in that market. He was someone who would bring in some sort of brand value and leadership and instil confidence in people that this was a real company and that they can take up a job here. So yes, it was hard to hire initially.

Another instance was when we were trying to hire someone in Australia and I could not get an Australian visa. Then we found out that Thailand doesn't need a visa. So we flew that guy into Bangkok and went there to interview him. And then, when he got on board, he sent us an invite letter so I could travel to Australia and take care of some of the initial stuff of setting up an office and so on.

Personally, I haven't seen any big change in the way the world perceives India or technology companies from India in the last five years or so. And perhaps some of it has to do with the markets that we are in—Indonesia, Brazil, Mexico. Not too many Indian companies have gone there and made a name for themselves, which means that we have had to do the ground work. But what happens is that your product becomes your biggest brand ambassador—so if you have a set of 5–10 clients and if you do right by them, then it definitely brings recognition for you in the market and every time you do something, it gets observed by the community. For instance, I was in China last week and one of the large research firms there called iResearch that closely watches the digital ad space there wanted to do an interview with us because they have been hearing good things about us from the market. When these reports go out, they automatically help you attract attention and a virtuous cycle begins from there.

Q8. The ad tech space in India has some of India's largest product companies—InMobi, PubMatic, Komli. While I understand that each of your businesses cater to a particular niche, what are the chances—over a period of time—of firms eating into each other's spaces to create bigger markets for themselves?

A8. Gourav: Let me broadly explain the ecosystem and then tell you what we think it is going to evolve into. So the ecosystem is going to break up into two pieces—one set of players would be focused on delivering a better return on ad spend for advertisers and there will be another set of players who will be focused on the other side of the value chain which is increasing the yields for publishers and optimizing the inventories that they have. It's very difficult for a single player to play on both sides of the value chain.

When it comes specifically to InMobi, we believe its primary solution is on the publisher's side—it has a very strong solution there and that's where it will play; Vizury plays on the advertiser's side. So I don't think, specifically with InMobi, there will be too much of a crossover of our businesses. And when we look at the digital CRM (customer relationship management) solution that we are trying to take to the market—it's a multi-billion dollar opportunity just for Vizury. It's close to a USD 100 billion opportunity in terms of market size, so I'm sure that there will be many players who can execute billion dollar solutions out there and who exist in this ecosystem.

Chetan: We are trying to build in the differentiation in three ways. One, this is still a very media-led horizontal industry, so one of the areas that we are very strongly working on is to verticalize it—the reason why an airlines company wants to advertise is very different from why an insurance company wants to advertise and that is driven by the fact that the underlying proposition is very different. So verticalization is very important for us. The second part is full service. As opposed to an era where SaaS (software as a service) was very sexy and forward looking, we actually believe that for the business that we are in, which is very data centric, having a hands-on approach wherein you understand the client and the consumer need and the client also participates in the journey is very critical for your long-term sustainability. The third part is that rather than looking at ourselves as a media channel, we call ourselves the digital VRM (visitor relationship management) company which provides life cycle targeting rather than a company that burns your media budget. So an enterprise class, service-minded approach is the third way in which we are trying to differentiate ourselves from the others in the marketplace.

Q9. And given the size of the pie, is there potential to build Vizury up to a billion dollar venture? Is this something you are consciously working towards or has that not been your approach?

A9. Chetan: The philosophy that we have internally is—think big, act small—and it is sort of my job and my co-founders' job to ensure that the canvas is wide enough. While we defined the concept as the triangle of data, technology, and marketing, the first product that we launched was called WebConvert—today our bread and butter product—which is essentially re-targeting advertisements intelligently to ensure better conversions. It's a fairly niche product but it is one part of the concept, not the end of the concept. And our job is to keep the organization focused on the wider concept that we are trying to chase so that there are newer products, newer ideas, newer problems that we want to solve that come within the domain of that wider concept. And that's the journey that we have undergone as we started with one product, one vertical, one country and now we have three products, we are in five to six verticals, and in 15–20 countries. So I guess you start small with a product but you must keep the concept large enough so that you have enough of a canvas to play around with.

Now, on the numbers, if you look at the digital CRM concept, which is about digital data marketing, that is a USD 75–100 billion business in the markets that we are in. And right now we are just nibbling on a very small piece of it. There certainly is a wide enough canvas that has been created for the team to think through how we can attack those multiple pieces and we are very ambitious. We believe that whatever we are working on just as a milestone can be one, a few billion dollars' worth in terms of the value that it creates; two, it is IPO-able; and three, this is a long-term problem that needs to be solved and we are playing our own small role in trying to solve it.

Q10. How much of your focus today is on investing in technology? Creating new technology versus expanding to newer markets, making the venture bigger—how do you balance the two?

A10. Vikram: We would like to believe that we are a technology company and if you look at our headcount, more than one-third veers towards product and engineering, so that has been consistent from day one to five years later. There have been many decision points where we could have used outside solutions, used a hosted ad server and gotten started with it, but we have consciously decided to either build something proprietary or use an open source tool and tweak it to our needs. We have believed right from the start that this intellectual property-led approach is going to help us a lot because the kind of flexibility it gives you, an out-of-box or hosted solution will not give you. So we have always believed this and have invested a lot in technology and we continue to do that.

Scale is one of the big technology challenges in this space— handling 10 million impressions a day is very different from handling 100 million even though it might be the same solution. So scale continues to be a technology problem for us and even expanding to new geographies and verticals poses a technology problem—it is not as if it's already solved and we can just plug in and play. Having said that, there is a good product team in place and they help us in prioritizing and figuring out the opportunity market size and what the clients want and we strive to strike the right balance.

Q11. For the first crucial part of your journey, you had no investor backing; now you have a set of high profile VC funds backing you—how do you manage investor relations? How do you balance your fiduciary responsibilities versus your own ambitions for Vizury which at times might not align with the goals of the other board members?

A11. Chetan: The secret to managing your investors' expectations is very similar to managing your wife's expectations. The simple mantra is: Say it, do it, and then say it again and then repeat that. So the culture that we have built at the company level is led by the core value of honesty. As Kanwal Rekhi of Inventus says, 'Bring on all the bad news first, the good news can wait'—this has been a critical mantra that we have adopted at the board level. Another thing that he says is good news before bad news is bad news—it means that you are not telling the truth. These mantras have been the founding blocks for me to manage investor relations while balancing the company's growth and strategy.

The second part has been about involving the VCs in the business. I'm probably the guy that bugs them the most; I bug them for introductions to clients, I bug them to participate in key interviews for new hires, I bug them to help us solve key problems. So when you have an involved set of board members, the sense of ownership of both the ups and downs comes in naturally. And the other thing that I have found mutually beneficial for us is to have one line of communication, the same message, passing between the management, the board, and the clients. This helps in maintaining alignment and agreement in terms of efforts and outcomes.

Q12. How have you evolved as a leader/entrepreneur over the last five years? What have the biggest lessons been for you personally?

A12. Chetan: The biggest learning for me is that a CEO's job or a leaders' job is essentially just about three things: One, what are the problems that the company is trying to solve—it is the CEO's responsibility to define it, communicate it, and ensure that everyone is clear about it. Second, do we have the right people to solve this problem, in terms of skill, capability, attitude and culture? The third is to ensure that there is sufficient money in the bank at all points of time so that one and two are happening consistently.

I used to read a lot of management books and so on, but for me everything has distilled into these three buckets and I have my own dashboard where I ensure that I spend adequate time on each of these three facets so that company keeps moving in the right direction. If any of these three things go off, then I take personal responsibility as the leader of this company.

Gourav: If I have to summarize it in four words, they would be people, process, scalability, and automation—these were the four things that I had to struggle with and learn the hard way. I have managed small teams, but the teams at Vizury have been significantly larger and that comes with challenges of its own. Defining and executing on processes is such a difficult thing in the first year because you don't want to slow down or create too many roadblocks by having too many processes. But now in the fifth year obviously you want to have a lot of processes, otherwise things will start falling apart and you will not be able to scale.

The other thing that I have had to work on is getting the issues around scaling up right. We’ve invested a lot on automation— as a company we used to do a lot of things manually, running campaigns for our clients, etc., but now when we run 500–600 campaigns, it’s not possible to do things manually; so a lot of investment has gone into automation in the last 2–3 years and doing that at scale has been a big learning curve for me.

Eka

Company name: Eka Software Solutions

Founder: Manav Garg

Date of incorporation: 4 August, 2004

Size: Revenue of USD 33.4 million for the year ended 31 March, 2014

Head count: 400+

Geographical presence: Offices in India, US, Australia, UK, Canada and Singapore; clients in Australia, Canada, US, Sweden, India, Oman, Netherlands, Germany, Egypt, Brazil, Columbia, Philippines, Bahrain, Switzerland, Vietnam, Italy, Indonesia, Spain, UK, China, and France

Mission statement: Eka's analytics-driven, end-to-end commodity management platform enables companies to efficiently and profitably meet the challenges of complex and volatile markets

MANAV GARG GREW UP in Moga in Punjab where his father, Subhash Chander Garg—when he wasn't trying to set up and run his own small businesses—worked as an engineer in the Nestlé plant. In Manav's own words, Moga back in the 1970s was part of the 'hardcore Punjab heartland' where one had just about three career choices: agriculture or dairy farming, owning or working in a small manufacturing unit, or a blue collar job at Nestlé. All local schools, both government and private, taught only in Punjabi with some Hindi thrown in… In fact the first and only words of English the private school Manav attended taught him were 'Good morning'. And these too in class seven. At home, it was a simple, no-frills upbringing. 'I go back to the time when I was 8–9 years old… Our parents worked very hard, tried to get jobs with MNCs, and tried to build homes. As kids, we tried to stand first in class so that their struggles seemed worth it,' says Manav.

However, those were not the only impressions that sculpted Manav's outlook. His father had tried his hand at seeding small businesses, four times, failing at each instance. 'We have gone through situations in our life when there was decent amount of money in the house and then next month we didn't know what would happen. Sometimes we were going for holidays, buying clothes; then next year we had no money to buy new clothes so we just made do with the old ones. But my father never backed down—he came back and started again after earning enough and then again and again. So, what filtered down to us was that it was okay to take big risks. As a family we got very used to that situation of taking risks and seeing what happens; not holding back and not going into an analysis-paralysis mode all the time.'

Manav's journey of entrepreneurship is a reflection of these almost divergent streams of thought: a very rooted middle-class work ethic based on perseverance and frugality and a bolder, more adventurous approach to perhaps break out of the traditional mould.

The first time Manav moved out of Moga was as a 17-year-old, in 1981. He only got as far as Jalandhar, 77 kilometres away, to study mechanical engineering at the Regional Engineering College (REC). Manav believes if he had known back then that there existed engineering colleges like IIT and BITS, Pilani, he might have attempted the entrance exams, but his schooling in Moga had given him little or no exposure to the world outside.

And an outsider he remained for the first couple of years at REC-Jalandhar; he was the village kid who didn't even know passable English. He spent a large part of his time in Jalandhar teaching himself the language by plodding through books written in English. On completing his graduation Manav returned to Moga with a desire to set up a hardware and bathroom fittings manufacturing unit. Unable to raise INR 50 lakh that he needed from family and friends, Manav took his father's advice to go find a job, earn money, and only then think of starting up a business.

He was 21-years-old and his first stop was the Indian Institute of Foreign Trade, Delhi (IIFT). His first time in a big city and the feelings of alienation continued for a while. 'At IIFT, there were kids from IIT etc. and again you were looked down upon because you came from a small town. At every step you have to rise above these prejudices. The notion that you don't have the "right background" can really stop you from doing things; so getting over that hump is important.'

One can say that the hump was navigated successfully for the first time in 1998 when Manav was handpicked during campus placements at IIFT by the global commodity trading house G Premjee Group (now GP Group) in Singapore. He was hired as a commodities trader. This was his second stop where he spent two years travelling the world and learning the ins and outs of the green coffee commodity trade—how supply chains were managed, how risks in global trade in the commodity were addressed by wholesalers—which brought him to the threshold of his third stop—entrepreneurship in 2001.

In 2001, all Manav had was a year's worth of savings and an idea for a software product that could significantly help companies dealing in agricultural commodities—specifically green coffee— by reducing the impact of price volatility by managing physical supply chains better. Manav spent two years doing intense surveys and researching the space. Singapore was still his base from where he travelled through South-east Asia and Europe, talking to heads of over 50 companies, some former clients from his GP Group days, others who he had cold called to set up meetings with. 'I used a cousin's home in London as my base for meetings. I was very frugal; I used to stay at his house in London, take cheap flights on EasyJet all over Europe to meet clients, and be back in London for the night,' says Manav.

As the idea for the product crystallized, Manav, who had no clue how to write software code, began to fill up hundreds of pages on Microsoft Excel—framing and explaining his product idea. By now, he was down to about 6 months' worth of savings; it was time to scout for funds. 'I spoke to some friends and they suggested JPMorgan in Hong Kong; so I went to meet them. They said you have no experience, no background in this; we can't just give you capital like that. So I came back. I was alone in my apartment, cooking—I love cooking—and this brainwave came to me: *Why not meet the chairman of the group that I used to work for? He understands the commodities business*. I, of course, didn't know him; he was the chairman and I had been just one of the traders. Still, I landed up at the office and requested for a meeting; he happened to be free and I met him. I explained to him what I was trying to do and in 20–30 minutes, he decided to back me. Now when I ask him what he liked, he says, 'You were very focused. The problem that you were trying to solve was one that I could understand and I thought that you will be able to figure it out.' So he also took a real bet on me being able to execute my plan even though I had no background in executing any business per se.'

And that USD 1 million bet that Kirit Shah, Chairman, GP Group took on 30-year-old Manav Garg in January 2004 paid off. Manav, armed with validation from an industry veteran, money, a business plan, and a crude prototype of the software platform, arrived in Bangalore to set up Eka Software Solutions. He made his first hire, a technologist, to build the product. Over that year, more people were brought in on the technology side to research and build the product, and Manav continued to be the one man army on the sales, marketing, and business development side. There were many meetings and near deals but nothing concrete for about a year and just when morale was beginning to drop, Manav managed to sign up Eka's first client—Andira Trading, a Netherlands-based commodity trading firm. The next client was the London-based Fortune 500 trading company Louis Dreyfus. For a first time entrepreneur and proverbial 'outsider', building a product business from India, this was a big deal because it paved the way for other Fortune 500 clients to sign up. Eka closed the first year in the green with revenues of INR 2.5 crore and it's been a profitable venture ever since, clocking revenues of close to INR 200 crore last fiscal.

Over the years, Eka's product line has expanded from just smart risk management solutions for agricultural products to other commodities like metals and energy. The venture counts multi-billion dollar giants like Cargill, Rio Tinto, the Noble Group, BHP Billiton, Mitsubishi, the Tata Group, and the Aditya Birla Group as clients. Essentially Eka's analytics tools help conglomerates with massive global commodity supply chains better measure risks related to contracts, prices, logistics, and delivery. Manav believes that Eka's products stand out because of the depth of coverage that is made available with respect to how a commodity moves across the physical supply chain. He believes few other technology products have managed to integrate this level of granularity into a software.

At present Eka is the fifth largest player in the commodities market which is a USD 500 billion industry. The market size, Manav believes, gives him enough headroom over the next 3 years to reach his target of becoming a USD 100 million company and touch USD 250 million in revenues in the next five years. And Manav doesn't plan to do this all organically. He wants to get to number three spot and acquire 50–70 percent market share by making some key acquisitions. Having raised USD 50 million from Nexus Venture Partners and one of the world's largest tech private equity firms Silverlake has given this India-born, India-based product company the much needed credibility to acquire the best global talent and chalk out acquisitions.

Eka today has offices and R&D support centres across Asia, Australia, Europe, USA, and Canada and despite its very global ambitions, continues to be headquartered out of Bangalore because Manav believes that no one can make him feel like an outsider anymore. His ultimate vision is to stand true to the conviction with which he started Eka, that one can create a large enterprise software company from India.

Q1. You grew up in Moga where your dad worked on and off with FMCG major Nestlé. Do you think life has come full circle for you where today you are working so closely with companies dealing with agricultural commodities? How have experiences of growing up in Punjab shaped your outlook?

A1. Starting something was always on my mind, because that's the culture in Punjab; everyone starts something small, all my cousins even today run small INR 5–10 crore factories. But it was when I went to IIFT (Indian Institute of Foreign Trade, Delhi) that I got exposure to international business. At that time, back in 1998, landing a foreign job was not so easy.

I still remember my dream on campus was to land a job with Hindustan Unilever (HUL); so was everyone else's. I got calls from HUL and the G Premjee Group (GP Group now). We had a rule on campus that if you didn't accept the first offer you got, you were out of the placement rounds. I had the GP interview lined up first and the difference between the two interviews was just 15 minutes. During the GP interview, I got asked: 'Do you want to get into the food business or global trade?' I told them that my dream job was in branding and that I wanted to be based out of India. In fact, I went as far as to tell them not to pick me because I really wanted the job with HUL and that even if they did select me, my interest in branding would have no match within the GP Group. But as luck would have it, they said, 'No, you are very different. People who come here talk about lofty dreams of trading but you are different, so we will select you. That's what we look for in trading: people who can think differently.' They selected me and I got a job in Singapore; that's how I landed up there.

It was a USD 2 billion commodities trading group but they didn't have a green coffee trading desk. I, along with my boss who had just joined from Goldman Sachs, was put in charge of building up this desk. That is where I really started understanding the food business. I've travelled a lot through Indonesia, Vietnam, Thailand, India—I'd go from country to country to understand how coffee is produced, then travel to US and Europe to meet people at Nestlé, Lavazza, Kraft, P&G to understand how they buy coffee and manage the supply chain. That is when I started reflecting on my childhood in Moga and really understanding how farming was done in India compared to other countries. Yes, so life has come full circle I suppose. I've seen my father try his hand at business a few times and fail; it was his dream to build his own business and now I have one. So now when we sit together as a family, we talk about it.

I remember when I decided to quit my job, I didn't tell anyone. Somewhere at the back of my mind, I think I had this notion that parents might take risks with their lives but they don't want their children to take a chance. I was in a good job, had a USD 10,000 salary and was doing well in Singapore; nothing could be better from my parents' perspective—for them everything was settled in life! Something similar happens with friends; they start the calculations—you are earning USD 10,000, so if you start up now, it will take you three years and you will be down by a quarter of a million dollars—all this analysis is a dampener on the spirit and enthusiasm. That is the reason I told nobody… I just left my job, took a risk, and said to myself, *Let's see, I have a professional degree, so if this doesn't work out then I'll get a job somewhere for sure*.

Q2. What were some of the darkest days like when you were setting up Eka? The two years could not have been easy.

A2. What really carries you through that entire phase is your passion and enthusiasm, especially when you are a young 26–27-year-old. You want to succeed passionately, desperately, and that carries you forward. The downside of being born and brought up in Indian society is that everyone tends to look down upon you. You can't go freely to social gatherings; people, even your friends, are always asking you what you are up to and you usually have no answer. You can't call anybody because invariably the topic of discussion ends up being: why did you leave the job, what are you doing, go back to the job…that is really depressing! In those two years, I don't think I met anybody; I was alone. You're a single man office; you're talking to customers, you are doing everything. You just get totally immersed in your work, trying to make it happen. So, that's the good bit that you are completely immersed in making it happen; the bad part is that you get disconnected from the world.

In 2001–02, the ecosystem had not evolved; you couldn't just pick up the phone and ask someone, 'Hey, how should I do this?' 'What is the funding scene like?' 'How should I build the company?' So I had to figure out everything on my own and I really enjoyed that. Looking back, I think a lot of learning came from that phase because you learn to really focus your thoughts on execution, you manage the cash flow, you manage everything in the business. I started making friends with people I used to go meet in Europe during my 'survey and research phase'. Some of those people are my clients and friends even today!

The other thing is that as a first-time entrepreneur, you don't have too many resources at your disposal. I remember when I needed to write my first legal contract, I was completely at a loss. I called one of my cousins in Delhi who was a lawyer in the Supreme Court then and he helped me. All these people who helped me didn't know whether I would make it or not, so a lot of credit goes to them. And the thing about parents—Indian parents especially—once they make their peace with their children's decision, they back them unconditionally!

Q3. Manav, you started targeting the global market right from the beginning. Was it not daunting? Didn't you ever think about trying things out locally, in India, and then looking at global markets at stage two of the venture?

A3. One of the VCs who met me in 2005–06 also asked me this question: 'Why are you building a global business? Why don't you first explore the local market?' Just as I told him, the global market move happened very naturally. When I was working with the GP Group, I was dealing only with global ventures—in any given year I was meeting 400 companies across Vietnam, Indonesia, Japan, and Europe. So I had tremendous exposure and, very honestly, the idea of exploring the local market never struck me. I just started with the global base because I came out of the job and automatically started connecting with former clients in Europe and US. I would call them, and take a flight out at the drop of a hat to meet them. I'd say that it was the job I had that prepared me for a global business and I was very comfortable going to foreign clients, talking to them, and understanding their problems. I was surer of selling to them than I was of selling to a local market in India.

Q4. You raised your first angel money from your former boss Kirit Shah of GP Group. How important was the first million dollars for you?

A4. I don't think I fully utilized that sum of money I took from Mr Shah for 4–5 years because we were profitable from day one. Our frugality paid off because that let me keep the money for a rainy day. Most of the money was used to set up an office in Bangalore, build the software, and find the right people to build it. Even here I negotiated deals by compensating the team part cash and part equity so that I could control my cash outflow. Also, I resisted hiring a large sales force, not putting money into 10 sales guys and so on; I built the company to ensure that it was profitable. However, the first money we got was important because it gave me confidence. I think that is the balance one has to strike—how to judiciously spend the initial capital so that you are not running after money every 12–18 months.

Q5. Manav, you managed your first few clients in quick succession within the first year and a half, but these were mid-sized global trading companies. What was the big turning point for you, in terms of client acquisition?

A5. The turning point came in 2006 for us. I had got 4–5 customers very early on at an average contract price of USD 100,000–150,000 and most of these clients were known to me from an earlier time. Then, in late 2006, a company called Noble Group, a multi-billion dollar company, approached us for a contract that ran into millions of dollars. The Noble Group CIO (Chief Information Technology Officer) called and said: 'Why don't you participate in the tender that is coming out? I hear that you have a good product.'

So we started filling in the RFP (request for proposal) and back then people in India had no skills to fill out RFPs of that scale for a product which would be sold for millions of dollars. We put something together and sent it across. He responded saying, 'I knew Indian companies are not capable of this—you can't even fill a RFP. I can't be sure that you even have a good product! So don't participate and don't come to meet me.'

That was a setback for us. I wrote to him asking him to reconsider us since we were a startup and give us a chance—none of that worked. So I took a flight out to Singapore that very night; reached there at 9 am and called him. I told him: ‘I’m standing below your office, can we meet for coffee—there is a coffee shop right here. Give me 15 minutes, if you don’t like us it’s okay because you’ve already rejected us.’ Fortunately, he agreed to come down for a 15-minute meeting which ended up lasting three hours. I think the first step was him liking me on an individual level; as he heard the idea and vision we had for Eka, he was impressed and finally came the realization that our platform was something he could use—that gave us a break.

So what I learnt was that the first set of sales, especially if you are coming from India, are based on the belief you, as an entrepreneur, are able to instill in the person in front of you; it’s the quality of your thought process that impresses a client and helps them get over the mental block of dealing with an Indian company. So getting the Noble Group contract was our first big success. But just personality and conviction doesn’t always pull you through.

There was another company which I cannot name here—a USD 100 billion company based in the US—and I was in front of their CIO. He said, ‘Son, I like everything about you, the product you have, and I’m sure you will do a good job but I can’t believe that an Indian company can do this. You will take USD 3 million from me and disappear; I’ll never see you again. As a person after seeing USD 3 million you will change; you’ll buy a Mercedes and a big home in India and never spend the money on R&D.’

So, he didn’t believe in the Indian economy and culture, that entrepreneurs here could be long-term oriented. What he was saying was: ‘I like everything that you are saying but I don’t trust your culture.’ He said, ‘I’m 50, I’ve seen a lot of things driven by culture and yours is one that I don’t trust.’ But we persevered and today after 4 years we have them as our customer!

Q6. What changed in the last four years to bring this USD 100 billion company on as a client? Was it a change in the perception of the India story?

A6. The reason we have this customer is because of the way we went about building the business. We have 7–8 very large Fortune 500 companies as our customers, we have operations in Australia and the US, and we have a global field sales force and a strong R&D team that we've really invested in. And every year we have grown each of these facets—operations, sales, R&D incrementally. Any CIO of a large Fortune 500 company is managing at least a USD 100 billion business and our contribution, if we are brought on, becomes mission critical to his company. Our technology is going to run in the blood of his company, so they have to be assured of the longevity of the company; they have to know that we are going to walk the talk.

So everything that I told that gentleman four years back that I would do with Eka, I actually did! We invested in R&D and had new products out every year, we invested in a global field sales force, we invested in operations abroad wherever it was required, and we ensured that our products were differentiated enough so that the client continued to see value in it. Just walking the talk. The other factors you mentioned: the buzz around the India story etc. are more media oriented; all of that doesn't matter so much when contracts worth millions of dollars are being drawn up; it's just walking the talk.

Q7. If you have to reflect back on your journey, what is the vision that has brought you so far? How has that vision evolved over the years and what are some of the strategies that have paid off?

A7. We started our journey saying we have to solve some of the problems in the agricultural commodities space. I understood the agri business well and my hypothesis was that this sector is big enough to make millions of dollars so we will become at least a USD 2–3 million company; that's actually all the ambition that we started out with.

What has really helped us reach where we are today is the continuous focus and desire to build a large software product business from India. That's always been the thesis running at the back of my mind. If you ask me how I went about discovering that—it didn't just happen on day one.

We found out that the coffee industry is a USD 5 billion market; we landed on this small island and started making value there. We got some successes, started making money, but we didn't stop there. We invested all our money back into the business saying—we've done coffee now let's expand to other agricultural commodities. Agriculture is a USD 100 billion market globally; we can maybe become a USD 5–10 million company because we can't capture the whole market (laughs). So once we got big clients like Noble, Louis Dreyfus and others, we said—trade in commodities like metals is similar to agriculture, so let's expand to metals.

The entire market size that we were working in then was USD 250 billion globally, so we believed that we could easily become a USD 10 million company. It was at this stage that we realized that we needed to look at the larger trend of where we were going. We made the change from being just a technology company servicing the agriculture and metals space to a company that could be present across all asset classes and this change meant that there were least a thousand large companies that we could cater to—truly allowing us to create scale. I would say that was the big shift we made.

Along the way we also stayed in tune to shifts in the market, whether it was new sectors like bio-fuels or just keeping pace with the volatility in the market. If you look at food inflation and track the history from 2004, prices have sky rocketed. When I was a trader, I used to trade rice at USD 225/tonne and it went all the way up to USD 900/tonne came down to USD 600/tonne. So, the markets have also been very volatile in this time period and our focus on constantly discovering the market and building a very large business has helped us get here.

I think the reason I am stressing on the thought of building a larger company is because that thought really drives everything. When I hired my global head in 2008, we were just a USD 3 million company and no one would pay a salary of a million dollars at that scale. Even today, people hesitate to spend that kind of money, but we did it. Similarly, we hired a chief operating officer ahead of time so that really helped us build up operations. We were never in it to make short-term money, we never took any profits home—I could have had a very good life, built a big house, bought a big car, life would have been very, very smooth but all that instead went into building scale. I would summarize by saying: get professionals ahead of time, take risks, and have the vision of building a large software company.

Q8. Dealing with a perception problem of being an India-born, India-based company was one part of the challenge for you. What have been the other challenges?

A8. There are two–three things: one, when I started the business, people didn't think I could even create a business. Two, when I came to India, people said: software product from India, no way! There was a time when a very large MNC came to us and said: 'Take a USD 10 million services contract from us; you understand the commodities space well, you will make USD 4 million profit, forget this product business.' I said no to that deal and at that time we were USD 2 million in revenues. Their logic was: take USD 10 million, hire 100 people at USD 100,000 per person, and you will be sitting on a hugely profitable services business. They wanted me in because they believed Eka understood the commodities market very well and that as an Indian business person I would be happy with a stable run, USD 4–5 million in profits, and a good life. So one challenge was to overcome this perception and actually take a contrarian view on what an Indian business could do.

The other thing that I believed was that this is the right time in India to focus on intellectual property (IP) led businesses. I relate this to the period when services businesses got started in 1982–83, when NR Narayana Murthy and Azim Premji got into it. There were no software engineers back then; they literally had to create the training institutes. There was a supply side problem because you didn't have enough people, so they focused on supply and process and the sales were easy because there was a cost arbitrage, so they were able to scale those businesses. I think now the wave has to become innovation-driven, and value proposition-driven. As an entrepreneur I see a big gap there. I think you will continue to see bigger and bigger product companies coming out of India now because that is where you can create larger impact with smaller teams, and that impact can be global!

Q9. You've made two acquisitions in recent years… Is this a part of the business that is now exciting you; finding opportunities that fit in with Eka and truly expanding capabilities to create a global powerhouse?

A9. We've got four to five acquisition offers in the life span of Eka and every time people would say: if you get acquired you will be considered a success story. But again we took a contrarian view: why don't we go and acquire instead of waiting to be acquired? We also had the wherewithal to acquire given that we had raised money at decent valuations and part of that money was sitting in the bank. This again is in line with the idea of building up a company to scale. Secondly, we are a product-driven strategy organization; so for us the motivation to acquire a company is not to increase the revenue or market share, it is a build versus buy strategy. We can put 20 engineers and spend two years to build another product or we can go look for an IP that makes sense, financially and product wise, and buy them out. This is an analysis that we do at every point of time because in the product business the gestation period of building a product and making it reference-able is a 2–3 year cycle. So if you want to build a company to scale and you have capital, you can go acquire a small IP-based company, wherever they are based, take their initial set of customers, and start scaling using your sales force.

So what we focused on was building a very strong global sales force and a strong business engine which could help us extract this value. We have a very large customer base in Fortune 1000 companies and from time to time we look at all the products they consume in the supply chain and keep checking how relevant we are to that supply chain and how we can incrementally increase our relevance. So our customer base remains the same in terms of where the global field sales can go and sell and we acquire companies at the back end to extend our platform.

Q10. Which part of the business excites you the most today?

A10. I think the perpetual question in my mind is how to scale even from the USD 35–40 million company that we are today. And there are several pieces to it. I believe in building things, so I still get my hands dirty in R&D; right now we are building a new platform based on all the data that we collect from our consumers, so that will be the next smart platform. The other thing is to look at bigger acquisitions. We have a big name like Silverlake as our investor and that gives us credibility in the market; with them on board, we are getting and exploring larger opportunities. The other question is: how do you scale on the back of acquisitions? Our target is to be a USD 100 million company in two years by making the right acquisitions; so how do you acquire a company that is 2–3 times bigger than you?

The third angle is organizational development—we have a COO, Global Head of Sales, CTO in place—so my real role is to manage these people and continue to build the global talent pipeline. For us, talent means global talent; wherever we find the best people in the world, we go after them. That requires effort in identifying them, being in touch with them, and anticipating the kind of scale you will achieve in one year so you can make the right hires today! These are three areas that I work on and which greatly excite me.

Q11. How difficult or easy was it for you to make these global hires?

A11. In 2009 we said let's hire a global head of sales, and you will know that this is the most difficult hire for an Indian company because there are so many horror stories related to services companies where foreigners have tried to work but leave after a year or two because of the mismatch in cultures. Anyway, I identified this guy, Rick Nelson, through LinkedIn; he had been the head of sales of our biggest competition, a company that was sold for a USD 1 billion, called Triple Point Technology. So I approached him through a recruiter and he was kind enough to get on a call. He told me: 'Man, don't even try. I've come on this call just as a courtesy and I'm now head of sales of InterContinental Exchange.' He was already head of sales of an operation that did business in billions of dollars. He said: 'Even if I do like the startup, which I do because I am talking to you, I am not going to work for a company from India because I've had too many friends who've had bad experiences; I don't want to ruin my career.' I heard him out, and because I'm from the coffee industry, I always offer everyone a coffee. I told him, 'I will take a flight and come to London; it's a six-hour flight. It's a weekend; let's meet for lunch or coffee at the Hilton. Give me half an hour and let's just talk.' He said, 'Okay, my wife is travelling. I'm on my own, we can meet.' So, we met at the Hilton in London for lunch; we spent 3 hours together and at the end he said, 'I like the vision that you have for the business and I am willing to consider what you have in mind.'

At that time he was earning a million dollar salary so I told him I can't afford a million dollars; my turnover is USD 3 million. I have venture money but I can't spend a million dollars; so you take half a salary cut but in 3–4 years you will more than overcome this in equity. He was convinced and came on board. He was one of the most critical hires for us—he understood the market, understood sales, he had built the competition for 7 years—with him we were able to build equity in the market.

All of this meant that I had to change a lot with him. You see, I would go to Europe, stay in an Ibis, and eat a sandwich for lunch, but you can't expect professionals to do the same thing. As an entrepreneur you can be frugal but with a professional you have to really start balancing it out. So, hiring Rick was one thing; managing him was another. I told him, 'Yes you can stay at the Ritz Carlton if you want, but then you have to drive value for Eka.' So I set some goals for him which were short-term, 6-month plans. I also really changed myself to be open to a lot of things.

Q12. On what principles is the business being built up today? What's your vision statement or culture that you're building into Eka?

A12. I look at culture on two axii. One axis is that we always hire local people. People would advise me: send the good Indian guys you trust to the US, Australia and they will be 'your people there'. But I didn't want to do that, I didn't want to work like that and also we don't have so many great people in India who can sell well. So we have always hired local people across geographies.

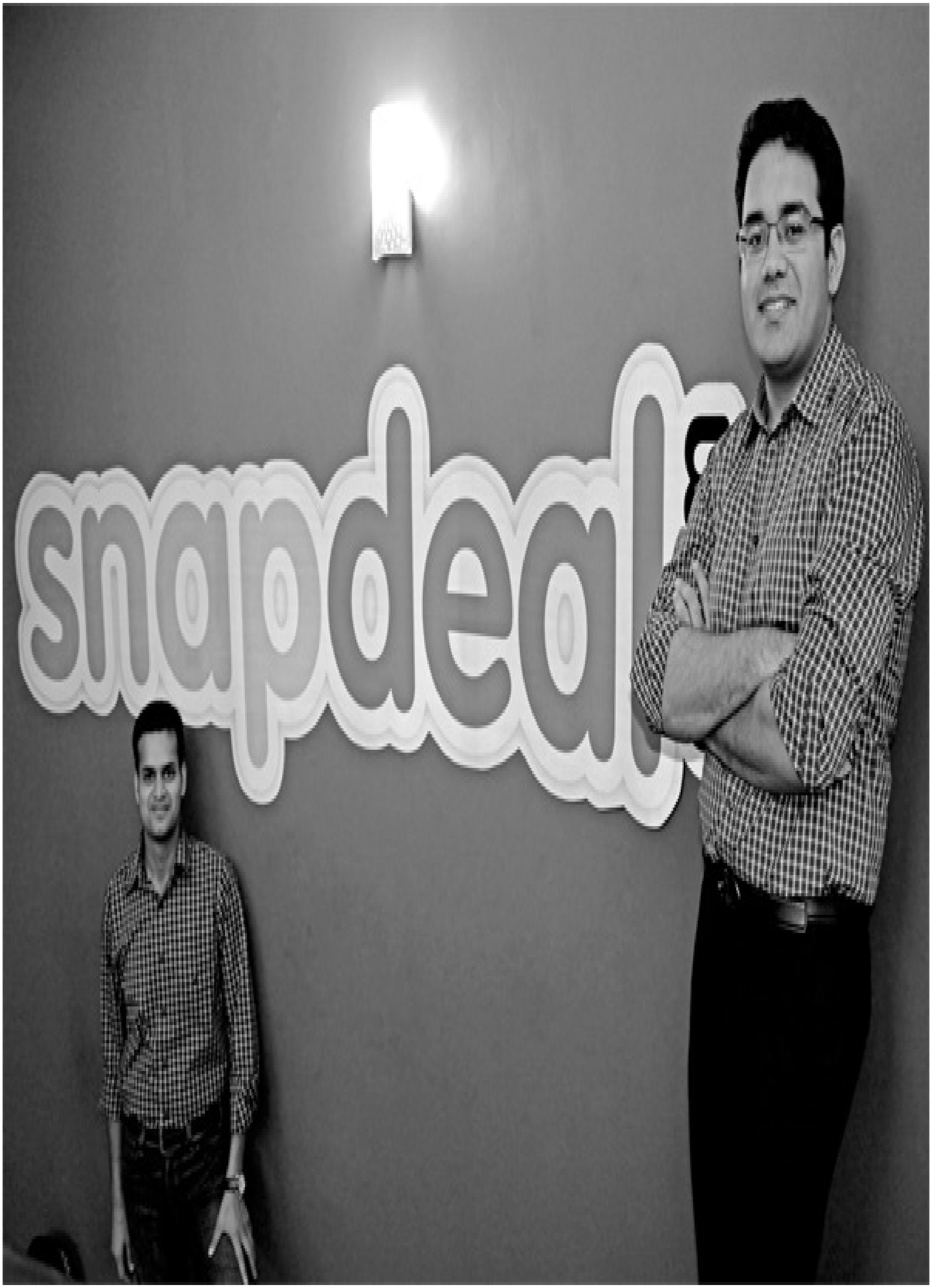
The other axis is building the culture. As an organization we follow the local work culture. For instance, in Australia people have four weeks off for summer holidays, in Europe people take eight weeks, in the US it's two weeks and we are flexible enough to allow all of this so that people's personal lives are not affected. On the other hand, we've ensured that the culture of the organization, things like spending money carefully and generating value, are maintained across all offices.

I thought of the values very early on; two years into the venture I started writing them out: team building, creativity, and discipline. The thought behind it being: if you are creative but not disciplined in how you create your product, how you spend, or sell, then you will blow it all away. We've been very customer focused. Even today I take calls from customers, even today I'm very hands on with the product team; a lot of time and effort has gone into defining these values and I make sure that when I talk to people I reinforce them.

Q13. If you could go back and do it all over again, what would you do differently the second time around?

A13. I think it has taken us a lot of time to build the product to scale. We started with a small product and then changed it. If I were to do this again, I would start by investing more in the product platform right from the beginning. Now, of course, I am more confident and know the steps that need to be taken, but if I had to do something different, I would build a product at scale from day one. And I would set the vision for Eka in a broader way early on… It took us four and a half years to start believing that we could be a big company. If I have to start up something again or go back in time, I will set for myself a billion dollar vision right from day one.

Snapdeal


snapdeal

Company name: Jasper Infotech

Founders: Kunal Bahl and Rohit Bansal

Date of incorporation: Snapdeal launched in February 2010

Head count: 1500+

Geographical presence: India

Mission statement: Snapdeal's mission is to create life-changing experiences for small businesses in India that account for 93 percent of India's retail industry

ROHIT BANSAL AND Kunal Bahl, co-founders of India's largest e-commerce marketplace—Snapdeal—met at Delhi Public School, RK Puram. They were 16-years-old, and they immediately bonded over their love for food and math! As the friendship grew deeper, they often talked of starting up something of their own one day—not surprising as they both hail from business families.

Rohit grew up in Malout, a small town in Punjab's cotton belt in a family of businessmen. He says, 'It was a place where the awareness about education and professional careers was very low, especially among children of businessmen who were "destined" to join the family business. But my parents felt that I should chart my own career and get a good education. In fact joining the family business was neither discussed nor encouraged from childhood.' It helped that Rohit was a good student and academically inclined so finding a place at DPS, one of Delhi's premier schools, and then cracking the IIT entrance exam to get into IIT-Delhi was not difficult.

For Kunal though, not cracking the IIT entrance exam was a turning point. Fondly called the *vyaapari* in the family while growing up, Kunal had little patience for academics. He'd rather watch TV and play cricket. 'Not getting into IIT was a turning point for me—it led me to realize that I should only pursue what I believe in, not what people around me expect of me. Failure at a young age can be character defining.'

Rohit spent five years at IIT-Delhi earning his M-Tech and landed a job in Delhi with a US-based bank holding company Capital One. Kunal, having completed his MBA from Wharton, had secured a business development job with Microsoft at its Seattle headquarters. Rohit recalls, 'I still remember how it all started: It was six months after we had both started working, Kunal was in the US and I was in India. We used to discuss if we should start now or wait for a while. Kunal came to India for his brother's wedding and during that time we started discussing this more seriously. Honestly, what really convinced us at that time was that we had nothing to lose! We realized that we had decent education and enough confidence that in life we would not die poor or hungry. At worst, we would have to keep trying and things wouldn't work out for many years, but we would still do okay. I must tell you that we were very green; we had no idea what we wanted to start but were generally excited by consumer businesses. We discussed ideas for a few weeks and then, as the turn of events would have it, Kunal didn't get his H1B visa to continue work in the US. He came back, and though I got my visa to go to the US around the same time, we had other plans by then.'

So the 22-year-old duo incorporated Japser Infotech towards the end of 2007 and the plan was to launch a couponing business in India. The idea came from Kunal for whom coupon booklets had been passports to easy meals during his Wharton days. 'While I was studying in the US, I used to hold down three jobs to pay my tuition. I'm a huge food lover but I never seemed to have enough money for good meals. When you do three jobs, you become more prudent about how you spend every dollar, so I started using this coupon book in the States. Couponing was big business in the US, about USD 300 million or so at that time. In 2007, retail was taking off in India and we thought marketers would need some new solutions to drive more traffic to their stores—that was the thinking behind launching a coupon book business,' says Kunal.

Even today when Rohit and Kunal talk about the coupon business, their tone betrays excitement tinged with irony. 'That youthful ignorance, irrational belief, and naivety is actually very helpful because it enables you to not over think before diving in; and that has always served us well,' says Kunal. They set up their office in the basement of a house in the middle of a furniture market in Delhi's Kirti Nagar from where they began to build their first business product: a discount coupon booklet. So convinced was the team that they were onto something big that Rohit says they consciously decided to spend as much time and energy as it took to 'build and launch the most perfect product in the market place'. It took them nine months to build that 'perfect, absolutely right' product which they called Money Saver. In their first market outing, they managed to sell only three of the 50,000 Money Saver booklets they had printed. 'The biggest question people had when we launched this product was: Are you telling me that I can tear this piece of paper from your booklet, go to the nearest Domino's store, and he will take this slip and give me a free pizza? I can't believe this. And there was nothing we could do at that point of time after the booklets were printed to make people believe that was what would happen because it was only us standing in front of people and telling them, "yes, this will work"; there was nothing else we could offer them as reassurance,' says Rohit.

They admit today that this was their first big mistake—not going sooner to market to get real consumer feedback. The second mistake was building a business that was heavy on inventory. Kunal says, 'The coupon book didn't work because it was a perishable product—every six months you had to print a new one across multiple cities and the unsold inventory had to be burnt or sold to the *kabbadiwala*. That made me realize, many years hence, the benefits of having an inventory light business, where you don't have to own the product essentially. We understood that the perishable nature of that product was one of the big reasons it didn't work, so we moved to a virtual version of it which was mobile coupons. Now that got good traction but people didn't want to pay for something virtual, so the next version was logically a discount card—so it didn't suffer from the perishability of the coupon book—the card could last for a year, and it was something physical you could put in your wallet. From there we got feedback in the January of 2010 that companies were reaching out to merchants to sell their coupons online. So that was the next step, because we already had the merchant network in place.'

With each iteration, the turnaround time for the team to pivot to the next business model has shortened. On January 26, 2010, a public holiday, Rohit and Kunal met at a coffee shop and over 8–10 hours, they drew up the blueprint of what the website would look like, how they would sign up merchants. They also came up with a new name. Eight days later, on February 4, 2010, they launched Snapdeal.com. 'It was very basic, crude to look at, but we were live! And the moment we were live we started getting real customer feedback; we would send the link to friends, family, etc. and talk to them on the phone for hours to get their feedback and within a month we were able to create a pretty good website. When we started, we thought we would at the most sell 10 coupons a day but we got to 100 coupons a day in a month! It was then that we realized that this was going to be big!' says Rohit.

Big it was. Within a few months, there were as many as 40 me-too ventures in the market, but the team was undaunted and hungry for success after two and a half years of 7-day work weeks and only moderate success, they held nothing back. By May 2011, Snapdeal had 70 percent of the market share in the online deals and discount space and had raised close to USD 40 million. Meanwhile, based on customer feedback, Snapdeal had started selling some products online as well. Kunal and Rohit describe that effort as half-hearted at best—online product retail was unfamiliar territory and something they thought other players in the market were doing well enough. Around this time, at the behest of some of their investors, Kunal and Rohit made a trip to China to study the e-commerce market. That week-long trip opened their eyes to enormous business opportunities and possibilities. They realized that if Snapdeal had to ever become a USD 50–100 billion dollar company, it would have to be through products not services—the demand and availability of services was restricted to bigger cities but products could be delivered across the country. They also realized that the way forward was the marketplace model that almost all Chinese players were using; they were already a marketplace for services in India and pivoting to become a marketplace for products didn't seem like too much of an uphill task. 'I feel the only way to build a large sustainable business that grows really fast organically is by solving a real need. The real need at that time was to help small businesses in India sell nationally and not stagnate because they were unable to get the reach. And I felt that was a need worth solving on the supply side,' says Kunal.

True to form, this time the move to change tracks was even faster. The decision was made at the airport in Beijing before the duo boarded their flight for Delhi on a Friday evening in December 2011. On Saturday morning, the entire Snapdeal team was brought together at the office and a plan of action was laid out. To say Kunal and Rohit's conviction to launch this bold experiment in the Indian market—at a time when all other e-commerce players were following the inventory-led model—has paid off would be an understatement. In two and a half years, Snapdeal is the country's largest e-commerce marketplace with a 30,000-strong seller network that is pegged to hit 100,000 by the next fiscal. The duo had set 2015 as the year they'd hit a billion dollar in sales but are convinced that it will happen much sooner, possibly by 2014.

With a headcount of just 1500 and having raised close to USD 350 million in funding from the likes of eBay, Temasek, BlackRock, Kalaari Capital, Nexus Venture Partners, and Intel Capital among others, the Snapdeal team believes that its lean set up coupled with its strong technology backbone is helping them scale up and maintain their lead despite competition from local heavyweight Flipkart and the global big daddy of e-commerce, Amazon. 'In the last 12 months, we've grown 600 percent but our head count has gone up only 10 percent—significantly non-linear growth compared to cost. And this gives us a substantial operating leverage in our kind of business model which is lost in more traditional retail e-commerce where you have to linearly grow headcount and cost. That is the reason most of such businesses require raising insane amounts of money as compared to us; one dollar in our bank is equivalent to four in another company's bank,' says Kunal. And it's early days still for the e-commerce industry in India, 'The opportunity is humongous, the market size is estimated to be at least 15 times of what it is today in the next five years (USD 70 billion by 2020), so there is huge scope for everyone. And we'll really have to mess up to lose out!' says Rohit.

For two friends who started working together seven years ago simply because they enjoyed each other's company and the idea of building something together, Rohit and Kunal are today one of the most nimble and tenacious entrepreneurs around. It seems unlikely that they're going to mess up! Not after the early years they spent *'juta ghisoing'*.

Q1. Let's start by talking about the early years and the coupon booklet business. Coming from your backgrounds—IIT and Capital One for Rohit and Wharton and Microsoft for Kunal—was it a reality check to step into the market, meet small businessmen and merchants, talk to them, convince them that this product you had created was absolutely great? I'm not saying you guys had a chip on your shoulder, but what was the experience of going from market to market selling your idea?

A1. Rohit: I have to say that that was the most humbling experience of our lives—an experience that taught us how to make things work. It was weather like this or worse (May) and we were sitting outside restaurants for hours, waiting for restaurant managers to meet us. We realized that things are very different when you go to a restaurant as a sales guy as opposed to a customer. All your education, all your degrees are suddenly out of the window— they're just interested in the deal you have for them—it doesn't matter what college you went to, what degree you have, what job you held, etc. What matters is whether you are worth the restaurateur's time right then and that is a very humbling experience. You realize the importance of offering something meaningful to people. That experience of dusting the streets of Delhi and the whole of India actually, trying to sign up small merchants—restaurateurs, retailers, spa and salon owners—that was the real university which taught us a lot.

Kunal: Here's an interesting story: When I moved back from the US, I got my Vonage phone with me; it was a US number that worked on voice over internet protocol (VOIP). The chief marketing officer of one of the big apparel brands, based in Bangalore, had stopped answering our calls or emails, as was the case with a lot of merchants—they were sick and tired of us (laughs). So I called him from the US number while in our basement office in Delhi; he picked up the phone and I told him that I had been trying to reach him for a meeting. He probably felt trapped and tried to put me off saying he was available only the next day and since I was in the US a meeting was not possible. I told him that I was on my way to the airport in New York and that I'd change my flight from NYC-Delhi to NYC-Bangalore and meet him. I showed up the next day at his office taking a GoAir flight from Delhi to Bangalore and we signed him up. Some people will look at this and say you were not completely ethical and the like but you have to understand that we were just two guys with a PowerPoint trying our best to get the interest of very senior industry professionals.

Rohit: People would say: 'You guys look educated, know PowerPoint; you guys should be working in nice offices. Why are you guys wasting your time? Just go back to your jobs!' Hearing a lot of that and still continuing is not an easy thing to do.

Q2. Now when you look at those times, what are some of the learnings—about the Indian customer, the Indian mindset, doing business—that apply to the business today even though Snapdeal is no longer a physical coupon booklet venture but a 'technology' company now?

A2. Rohit: Actually a lot of things; one of them is persistence. When you are thinking of an idea, you spend so much time thinking about it that it is very clear in your head—what you are going to do and how it will work—but it's really difficult to convince another person in a meeting that might be just a few minutes long. Very often it requires a lot of explanation and time, months sometimes, for people to go from outright denial of your idea to understanding what you are saying. Therefore, believing in your abilities and ideas and perseverance in trying to convince people is an important thing that we learnt.

We had spent 8–9 months to ensure that we launched 'the perfect' product. It was June or July of 2008 and we thought that we had created something so wonderful that we expected a line to form outside our office to buy the booklet the moment we launched. The first thing we thought was—we should not run out of these booklets, so we got 50,000 printed (laughs). It seems funny in hindsight but it was not funny back then! We got permission to put up stalls in 4–5 office complexes which meant cumulative footfalls of 10,000–15,000 over 3–4 days. Can you guess how many booklets we sold in three days? Three! I think that whole experience taught us that what you think is valuable might not be so for the consumer and also, one doesn't know how a consumer will react to the product. Even today, we hold this learning very closely to ourselves. Over a period of time you get better at predicting customer response—it's a learnt and subjective art—but one of the most important things is to get going fast and getting real feedback from consumers quickly

Q3. In the first two years with the coupon booklet business, you didn't see too much traction. What kept you guys in the game? I believe there was a point in 2009 when even cutting salary cheques for your team had become difficult?

A3. Kunal: Rohit and I didn't take home salaries for the first few years. We had very little money left in the bank because we had invested almost all the money in the business already. There was a time when we had INR 5 lakh worth of salaries to pay the next day and we had only INR 50,000 left in the company's bank account. Rohit and I had about INR 5 lakh of cumulative savings in our personal accounts. On that day—June 6, 2009—we could have paid those salaries, wound up the business, and walked away from everything. You see, Rohit and I were left with just about INR 21,000 between both our bank accounts after cutting those salary cheques; we had no other money stashed away or anything (laughs). It was a tough time for us financially and emotionally. We thought we had covered a lot of distance but there was no displacement. It felt like you are running really hard on a treadmill, you're sweating a lot but you are not going anywhere, you're still in one place.

I should also tell you though, that from the day we started the company till today, we've had this irrational belief that we will not fail. What I'm articulating now but have never put in words before is that there was never a day when we said: let's wrap up! That day has never come and hopefully never will. And this stems from the fact that Rohit and I enjoy working together— working is actually a subset, we enjoy spending time together. The primary reason we are working together is to build something together. As a result, our parameter of success is not the revenue or profit, it's 'did the needle move a little bit today versus yesterday?' and as long as we perceive that the needle is moving we are happy. Both Rohit and I have always been very objective and I think that's a hallmark of decision making in our company overall—we are always objective about our decisions. Hence, we do not become stubborn about a business idea or a model, neither do we flip- flop. It's always been about being thoughtful—we think, if this is not working, how can we make it work? Have we tried enough things and if we have and it's not working, then let's think about something else. Our goal was to build something we are proud of. We never thought it would become a billion dollar company.

Q4. So you moved from the coupon booklet business to mobile coupons and then a discount card when in January 2010 you guys decided to move Money Saver online and give it a new avatar—Snapdeal.com. Within a span of a year, most of the competition had withered away and you guys had 70% of the market share. What contributed to that success: was it business

strategy lead innovation or was it because at that point of time you guys started deep diving into the technology part of it?

A4. Rohit: I think it was a combination of both. We had to get the right merchants on board, we had to be in enough number of cities so that we were relevant to a large number of people, we had to get the right offers that people liked, we had to market to consumers so that they knew that we existed, and build trust because no one had heard of buying coupons online and taking it to a store for a discount before. We had to also launch a lot of technical innovations as well to make life convenient for consumers as well as merchants. For example, for the longest time all our market peers had this thing of buying a coupon and taking a printout to the restaurant or store; we realized that in India people don't have printers at home so we started sending out coupon details on SMS.

The biggest challenges with technology is not building it but imagining it and then making it user friendly. For example, in the SMS coupon system, the biggest concern that our merchants had was what if someone turns up with an SMS that has been forwarded by a friend? It would have caused pilferage for our business and loss for merchants because they would have ended up giving discounts to anyone who showed up with an SMS. So we built a system to embed a unique code into each SMS. But then the merchants said: the unique code is just a bunch of numbers and alphabets; how do I know it's come from you? So then we created an interface which was like a basic webpage where the unique code could be punched in and the merchant could check if the code presented was valid. This worked but still some said: we don't have a computer on our premises. We then took this entire technology to interactive voice response or an IVR system where the merchant could dial a number, punch in the code, and validate it. So you see, it was the same underlying technology but we had to make it user friendly to answer the needs of the merchants while still keep things easy for the consumer. The consumer cares about, and should only care about, getting his discount. Getting the back end in place is up to us; for the consumer it always has to be a seamless experience.

I remember Kunal used to send an email to everyone who bought a coupon, every month, and ask them to give feedback. He would personally write back to everyone who wrote within 24 hours. We would spend hours sitting in our call centres—and not just the two of us but our entire team. That's the reason our entire team has a very deep understanding of what a consumer wants. Things in consumer businesses can be as complex as they need to be internally to make sure that they are simple for consumers and that is what we focused on and spent our energies on.

Kunal: The difference between earlier and the time in 2011 was that we were finally seeing a very clear correlation between input and output. Earlier the equation was not clear; there was a lot of input going into what seemed like a black hole and really no output. Over a period of time we got better at identifying the lead indicators to something that was going to push us off the cliff.

Q5. Your trip to China in late 2011 was one such lead indicator, a push of the cliff that moved you out of a moderately successful online services coupon business to a product marketplace?

A5. Rohit: We had done some experiments with product e-commerce but our heart was not fully into it. Honestly we never thought about it or understood it; and as a result we never paid enough attention to it. And then, as serendipity would have it, as we talked to people—we love talking to people by the way—we kept being told to go to China and see what's happening there. Finally we bought tickets to China—Beijing, Shanghai—met a few e-commerce companies, met investors who had been investing in e-commerce in China for a long time, and basically had our minds blown. We met companies that were 4–5–6 years old and were shipping hundreds of thousands of orders everyday! Then we started thinking: what led to this—from nowhere to billions of dollars of sales each year—how does something like this happen so quickly? That's when we realized that many of the things happening in China were similar to what was happening in India at the time.

Retail had taken off in China in the early 2000s but then real estate prices skyrocketed which made offline retail a harder business to do because the cost of doing business is very high. So there were buyers on the one side who had the money and had exposure to global trends and products but had no place to buy these things. And on the other hand the problem was as acute on the supply side.

For example, in both India and China, there are many small businesses, manufacturers, brands, dealers, etc. who have great products to sell but due to the lack of organized retail in the country they have nowhere to sell. If a person who manufactures sarees out of Surat wants national distribution for his product, he will have to go city by city, convince some dealer to stock his product. It's a tough business with small returns and this was the problem that e-commerce companies in China had solved.

In India offline retail had taken off in the mid to late 2000s. Then real estate prices went through the roof, so organized retail became hard and as a result consumers in the country were assortment starved. I come from a small town; I remember my dad used to travel 300 kilometres to Delhi to buy shirts! That's not convenient by any standards, anywhere in the world!

So we went back to first principles and said why don't we build something that connects the two? We already had a platform and a great team in place that had done a tremendous job in building Snapdeal as a brand and everything that goes with it. We also had at least some of the underlying technology in place. We only had to refine that platform and give it to the large number of suppliers in the country and offer an almost infinite selection of products to customers.

Q6. Kunal, was it tough breaking the news to the investors and the board?

A6. Kunal: Yes! By then we had raised USD 40 million. We were growing fast, people were covering us on TV, and we wanted to shut this business down and do products e-commerce and we wanted to do it in a manner that no one else has done before in India—which is marketplace not inventory. That was a fun conversation we had with the board (laughs).

There were obvious questions. The first of which was: But why? And I think there were two–three reasons. One, the local merchants business could not be as large as we had thought it to be and it was important that we admit to ourselves the potential shortcomings of the market size. Two, in the middle of 2011 we had merchants reaching out to us and saying we want to sell products online and some customers were reaching out saying, 'I buy deals from you, I also want to buy products from you.' We could have ignored that and said: we are a services business or we could have followed natural demand supply; we did the latter. We put a small section up to see if it would work—the first thing we listed was a pair of Reebok sunglasses and we sold 1700 of those in a day! And this was surprising to us because we thought that people saw us as a services company not a products platform but the bottom line was that people trusted us and they were happy to buy from us.

Then the next question from the investors was: why not do it the inventory way; the whole world is moving towards more control not less? Fair question. Our reasoning was: companies hold inventory because, on the three key parameters of commerce—value, convenience, and assortment—they were valuing convenience first, value second, and a distant third was assortment. Our view was that in India where offline retail is so broken and under penetrated the biggest problem is assortment—you just don’t get what you want. And that’s the pain point we wanted to kill. The only way you can give users the widest possible assortment is if you don’t have to own everything that you want to sell and you can do that only if you are a pure marketplace! But we were also clear that we didn’t want to sell used products, we wanted to sell only new products from trusted, screened sellers. So our focus on assortment, value, and convenience really led us to our business model.

Rohit: All the guys running businesses in India are extremely smart but we didn’t just believe in the inventory model. When there is already so much supply that exists in the country, why would you want to recreate the wheel of building an ecosystem where you aggregate more supply? Why not just build a platform that connects the right amount of supply to the right demand? That’s what we did. Back then it was considered a very counter-intuitive call and not everyone believed in it because people tend to believe in what the majority is doing, whether or not it makes logical sense. It seems like now the world is coming around and believing that the marketplace model is the right thing to do, it’s good validation for us.

Q7. How much of what you are doing at Snapdeal today revolves around business innovation vis-à-vis technology innovation? And will technology be the bigger differentiator for Snapdeal, more than the business play?

A7. Kunal: Technology will be the differentiator. This business is not rocket science; it’s a business model that Alibaba has cracked successfully in China and we’ve made some modification and enhancements but those are all technology-led. I actually don’t even see ourselves as an e-commerce company. We enable other people to do e-commerce and we provide them a merchandizing platform, traffic, payment gateways, logistics support, mobile commerce enablement and so on and so forth. Our aim is to make our ecosystem more successful because in that is our success. So technology will be a key driver going forward because everything else in our kind of business is very transparent. The only thing that is seemingly opaque is actually technology and how the clockwork runs behind the facade of just the website.The depth and width of information systems that connect the tens of thousands of sellers, dozens of courier companies shipping to 5,000 towns and cities, customer relationship management for millions of customers—it’s deep infrastructure and it has been built in a very short span of time. That’s the core moat in our business followed by our seller network and our ability to make our seller successful by sharing analytics and methodologies of success on Snapdeal with him.

Q8. Give us an example of the sort of technology innovation you are talking about that has given you a competitive edge and really propelled the Snapdeal story.

A8. Rohit: Our entire supply chain platform, SafeShip, is a good example. When we were looking around the world, we saw that most market places didn’t intermediate in fulfillment at all, even Amazon doesn’t in all cases. Once you place your order, it is up to the particular vendor how he ships his product to you; whether he uses a reliable courier company or not, it’s his discretion. This we felt might create an inconsistent experience for a buyer. On the other side we were seeing almost every e-commerce company in the country building their own delivery network. But we thought that may not be the best way because then you are building a new company altogether and you are assuming that everything that has happened in the logistics and supply chain space in India thus far is useless.

We said: there should be a smarter way for technology to solve this, so we discussed this with the team and they came up with this idea to build a technology platform—SafeShip—that brings all the courier companies on a common platform where an algorithm decides which courier company will service which order to make sure that the service to the customer is the best possible. This solution came entirely from the engineering team and today it is one of the most important pillars of our company where 100 percent of the orders on Snapdeal go through SafeShip.

Q9. How did eBay's strategic investment in Snapdeal happen? What's the story—did you reach out to them?

A9. Kunal: It was strange how it happened. We had known them for a while, since May 2011. I was in the US and someone had help set up a meeting but there was no immediate business context. We met them and left it at that.

Then we were having a conversation with our board on raising more funds towards the end of 2012 and we were talking to the usual suspects. It was turning out to be a very hard fund raising year. One night I had gone to bed, and around 1.30 am my sleep broke. I woke up and realized that maybe I should email eBay. I opened my laptop and emailed the lady I had met at eBay and went to bed. And in that email I was super direct, I had said: 'Hi, we had met a year and a half ago. We are doing really well; we are planning on raising money, and please let us know if you would be interested.' About four days later I got a response out of the blue and there were eight people marked on that mail and I realized something is happening here. I have to give credit to their team and company for taking the bet that they took on us because back then people had started writing us off saying this deals thing was nice while it lasted but now the company is crumbling away.

eBay is a corporation, so they either acquire companies or do it themselves; investing in a company is atypical of them. In the last 12 months, the knowledge that they have shared, the validation and support has been very helpful, and so has their capital. And in return we have ensured that we deliver the goods so there is mutual respect between the two companies.

Q10: Will the mutual respect develop into anything further, a takeover perhaps by eBay? There's talk that they are just getting a strong foothold in a competitive market that they haven't been able to crack and are using a really good team and company to get that foothold.

A10. Kunal: That's a great compliment and I can't comment on anyone else's plans, but our plan has always been to build a business that satisfies three criteria: keeps us engaged, helps us solve a real pain point for the Indian consumer, and build an alumni network that respects Snapdeal and for whom we have provided professional progress. These are my three goals and as long as these goals are getting satisfied, we are going to keep doing what we are doing right now. If and when any conversation is to be had with any strategic partner, my fiduciary responsibility and my board's responsibility is to assess it as any public company board would assess it and then take a call based on the best interest of all the stakeholders—investors, management team, and the hundreds of shareholders we have now.

Q11. In terms of building the company internally, you have gone from a team of 40 people to 1500 odd people in 2 years. How do you ensure that the innovation engine is fuelled? As a manager, what are your thoughts on building the organization?

A11. Rohit: We are big believers in ownership. Most of our team is the same age as us, so we don't have a typical old school relationship with our team members. Also, the way we have organized the team is very different—we have ownership driven teams wherein a team manager is responsible for getting 'x' done. Now 'x' might entail some technology, some operations, and even calling 100 customers and getting feedback—all of this is his responsibility. For example, the team that manages search on Snapdeal is primarily an engineering team but the same team also calls 100 customers to take their feedback on search. They build the user interface on search and get feedback internally. The same team also sits with the apparel curation guys to understand how people buy shirts and then work with all these inputs to create a good search mechanism!

We like to keep our numbers small. We are a technology company and wherever we can use technology to simplify lives of customers and merchants, we do that instead of hiring 100 people to do that work.

Kunal: Often times, as companies get larger entrepreneurs and managers become internal facing and less external facing I always tell the senior management to ensure that at least 30–40 percent of their email traffic is external. The moment it is largely internal it means we are spending less time listening to our environment and we won't know if we are operating in a bubble.

Another facet is our focus on prioritization—we decide on two or three things that we want to prioritize at the beginning of the year and then drive that relentlessly. Mobile is one thing that we picked this year and already we have 50 percent of all our orders from mobile—it was 5 percent one year ago.

Q12. Is Snapdeal at a stage in its life where it can start creating solutions for the larger commerce ecosystem in a proprietary manner?

A12. Rohit: In e-commerce we are just getting started. What has happened in the market is that the basic platform of how e-commerce is done has been set. But it is less than 0.5 percent of India's retail whereas in every mature market it's anywhere between 6–13 percent of the country's retail. So there is a very long way to go and most of the challenges going forward will be very different from what we have faced till now.

So far it was about survival and getting into a business model that works. Going forward it will be about making e-retail a good experience for consumers and merchants. For instance, our acquisition of Doozton will help serve the consumer better. For example, when my wife goes online, she very often doesn't know what she wants to buy, she's just browsing and will buy something if she likes it; so there is this serendipitous way in which many consumers shop. The e-commerce platform should actually enable her to discover products that she likes and is likely to buy. That's what Doozton does very well and which is why we thought it was a great acquisition.

Now, on the supply side—we are doing a tonne of work for merchants who sell on our platform. Most of the sellers on our platform till recently had no idea what selling online is, what it entails, how to get good sales online, how to showcase the product well, how to create the imagery and write good descriptions and so on. We are working very closely with them to build technologies and processes to help them go online.

Q13. And dynamics are changing big time; Amazon is already here and they are literally snapping at your heels—they're targetting USD 1 billion in

sales next fiscal. How are you future proofing the business given that competition is now so close?

A13. Kunal: My view is: competition will never give us money, our customer will. And by the way, this is a Jeff Bezos line! (laughs) Others can’t do everything you can do and you can’t do everything they do, so you have to figure out based on your culture, your priorities and your vision, what your competitive moat is going to be, and then just doggedly build on that.

Flipkart

Company name: Flipkart

Founders: Binny Bansal and Sachin Bansal

Date of incorporation: Website launched in 2007

Head count: 14,000

Geographical presence: India

Mission statement: To make online shopping delightful for everyone

33-YEAR-OLD SACHIN BANSAL, co-founder and CEO of Flipkart, says he loves scale. Earlier in 2014, Flipkart crossed the USD 1 billion mark in gross merchandize value (sales), the first e-commerce venture to do so in India. It has other firsts to its credit as well—it claims to be the first e-tailer to offer cash on delivery at scale, the first to deliver 5 million shipments per month across India, the first e-commerce venture to tie up with mobile phone companies like Motorola and Xioami for exclusive launch of their phones online, and the first e-commerce venture globally to raise a billion dollars in funding in one single mammoth round valuing the firm at over USD 5 billion!

'When Binny (co-founder and COO) and I started thinking about this fund raise, we weren't really looking for funds; we were very well capitalized and we had money in the bank to execute most of our plans. But what has happened in the last 4–5 months is that the whole internet space in India is hitting an inflection point where we are seeing a completely different level of growth which is driven by mobile internet and smart phones; along with that, we at Flipkart are also growing very fast. What we are looking at now is how we can make a bigger impact than what we have managed so far. When Binny and I started Flipkart back in 2007, we were not thinking this big—at the time the vision was just to make book shopping easy. But as we progressed, we wanted to expand that to all shopping and that's what we have been doing so far. What we found is that because of these two factors—growth hitting an inflection point and the opportunities being available—we could have a larger impact on the overall commerce ecosystem of India. We realized we could transform how commerce is done in India—that there is value in doing that and the company that does it will generate a lot of value for itself and for the overall economy. It is a big and ambitious vision that we have set for ourselves and it will take time, effort and a lot of funds to bring to fruition,' says Sachin.

This billion dollar fund raise was led by existing investors— South African media conglomerate Naspers and hedge fund Tiger Global. Ironic given that the first time Tiger Global approached Sachin Bansal to make an investment in Flipkart in 2010 he turned them down. ‘I remember that day clearly—it was the day Mekin Maheshwari (head of technology for many years and now chief people officer) had joined. Tiger Global called on our customer service line…we didn’t have a call centre at that point, it was just 3–4 people in one room. I was sitting in the next room. So they called and one of the guys came up to me and said some Tiger Global fund from the US wants to talk to you. We had just raised funds from Accel Partners so we said: “Tell them we don’t need money right now and to drop us an email.” I remember they asked the customer service guy for my number and he refused saying that it was a highly confidential number that couldn’t be given out. It was all very funny because Binny and I were sitting in the very next room listening to this conversation. But Tiger Global was persistent; they were one of the investors in MakeMyTrip at that time and asked Deep Kalra to call me. I remember Deep saying, “These guys are good investors; you should talk to them, they are credible guys,”’ laughs Sachin.

That’s another thing that stands out about the Bansal duo— they’re extremely sure of themselves and of each other. They have shared history to boot. Both Sachin and Binny were school mates in Chandigarh, where they grew up, but didn’t know each other. They first became friends during their undergraduate years at IIT-Delhi where they belonged to the same hostel but the friendship really blossomed when they reconnected at the Amazon.com office in Bangalore in 2006. Sachin, in fact, drew a referring bonus for recommending Binny for a post in the Amazon Web Services team. A year into their new jobs, they were not quite happy with the idea of building great technology that was benefitting consumers in faraway US. They were both 26-years-old that year when they decided to take the entrepreneurial plunge. Their first idea was to build a price comparison website but they soon realized that they weren’t enough online retailers around or consumers online for the business to be scalable. The next idea was to launch an e-commerce venture. The duo decided to start with books because books were low cost items compared to electronics, but the idea was always to expand into other categories, hence the generic name: Flipkart. Sachin and Binny pooled in their savings of INR 4 lakh and got started. Between the two of them, they did everything from building the website to signing up book distributors and suppliers, from distributing Flipkart-branded bookmarks outside popular Bangalore bookshops to learning search engine optimization using Google AdWords to market the brand. Then once the orders started coming in, the duo travelled across the length and breadth of Bangalore, sometimes as far as 40 kilometres, to source the books from vendors, package them, and courier them off.

Flipkart broke even in six months and the subsequent profits were plugged back into setting up a new office and hiring their first set of employees. ‘The first big turning point for us was the launch of international books in 2008 where we tied up with a few distributors from the US; that led to a huge growth for us, it took us into another league altogether. But the specific moment when we really started thinking big was in 2009. By this time we had significantly scaled our books business to an extent where we had many repeat customers, our name was getting around, and we were doing well from a new customer acquisition point of view as well. We started seeing that we had become significant in the book industry in India in early 2009 because really big book distributors started calling us and started wanting to meet us and that was new to us. That is when we realized that we had actually become big compared to where the market was and then we started believing that we could become bigger and completely change the way people buy books in India,’ says Sachin. And they’ve managed to change more than just the way people buy books in India!

‘Organized retail penetration in India is just about 5 percent of all retail, so it is almost non-existent. Now, we’ve seen in the past that IT services have grown before manufacturing. In telecom we have seen that before landline phones could reach the masses, mobile phones were in people’s hands. Before cable TV went to the masses, we got on to satellite TV. India’s technology adoption rate has been quite high and at Flipkart we believe that before disorganized retail becomes organized, it will move to e-commerce—we’ll skip that phase of offline retail getting organized completely in India. What that means for us is that if e-commerce is the future of India, then delighting our customers is not a nice-to-have, it’s a must-have,’ said Sachin at this year’s annual Slash N conference which is Flipkart’s flagship technology event held in Bangalore.

Delighting customers has been at the core of Flipkart's raison d'être right from the day Sachin and Binny started up back in 2007. Sachin says, 'For ten days after we launched the website we got no orders. The first book we sold was to a gentleman from Andhra Pradesh. It was a book called *Leaving Microsoft to Change the World* by John Wood. I still remember Binny and I took a lot of time to find that book. None of the book suppliers we had tied up with had that book in stock; we went from one bookstore to the other in Bangalore to find the book and eventually found one copy at some remote store and sent it to the customer.' This first sales experience was also an eye-opener for the duo; they realized that the trade market was extremely disorganized and one couldn't blindly trust the system to come to one's rescue. 'This is how it worked at that time: we went to our suppliers, asked them what they had in stock, put that list on the website, and then accepted orders for those books. *Leaving Microsoft to Change the World* was one of the books that suppliers had told us they had in stock but when we went to them to source the book, they didn't have it. So it was a big learning that systems or distributors in India are pretty unreliable,' says Sachin.

Today, if one has to single out one of Flipkart's biggest achievement, it would be putting systems in place and bringing reliability to processes. As one of the first online retailers in the country, albeit only in the books niche till mid-2010, Sachin and Binny Bansal have done tremendously well in bringing method to the madness that is Indian retail. 'Binny and I started with a belief that doing business with somebody shouldn't lead to mistrust. People in India today aren't really sure when they are doing business with someone—whether they are getting a good deal or whether they should be super cautious about it. We believed that shouldn't be the case and that there should be more trust. So that is how we built Flipkart up. It was a lot of trial and error in the beginning. We kept going after the bottlenecks which were slowing down our growth but all of this we did one step at a time. If it meant writing code for our suppliers so that they could better manage their inventory—we did it. If it meant doing logistics for them so that they could make deliveries on time—we did logistics for them. If it meant setting up warehouses so that our sellers could ship orders easily—we did that too,' says Sachin.

In the process Sachin and Binny have created an enterprise of staggering scale and depth. The consumer facing Flipkart website, that today sells everything from books and DVDs to apparel and electronics, is only the very tip of the iceberg. Beneath this is a technology behemoth with divisions as big as individual medium-sized businesses that take care of warehousing; logistics and supply chain—eKart; a payment gateway—PayZippy; now even business intelligence and analytics. The base for all this is internally driven technology innovation. The Bansals have never outsourced their technology requirements and don't intend to in the future either. 'If you want to run a business of this scale and size, you need to do a lot of things right. We believe that at the core we are in the business of simplifying life for our consumer and we do that by using technology. At the core, we are a technology company that happens to be in supply chain, logistics, and e-commerce. So a large part of our growth flexibility is built into our systems.' Close to 70 percent of Flipkart's shipments are done by its own logistics company and as the venture expands and the online retail market grows exponentially, as it is expected to, the payoff of scale will come to Flipkart rather than to a third party logistics or warehousing company.

While there might have been early criticism of the Flipkart model for trying to re-invent too much of the wheel, Sachin says they haven't gotten to where they are today by working in isolation. 'Moving things along was tough but as soon as we found a match with vendors on values and beliefs on how customers should be treated, we built up on that as much as we could. And then what happened over a period of time as we got bigger and bigger was that the network effect came into play where people saw that we were successful and they wanted to be part of our system; at that point we could tell them that if you want to be a part of what we are doing, you need to change yourself and adopt these processes and rules and keep the customer first. People who believed in that changed themselves over a period of time. That's how the wider business ecosystem has evolved.'

With more than 50 percent of Flipkart's revenue coming from customers shopping on their mobile devices today, the Indian customer has evolved too. This is how Sachin described the evolution at the 2014 Slash N conference: 'We started in the dark ages, where customers went online only out of desperation; we took e-commerce to the next stage. We took it out from a black hole to making it work and in the last three years we have taken it to a very different stage: from 'it works' to a 'very good experience'. Now we are formally shifting gears to intelligence from just scale. When you look at Flipkart from the outside, it looks like simple e-commerce but from the inside it is a massive data generation engine from which we can collect huge amounts of data—know the products you like, may buy, those that are complimentary to your present purchase etc. With the mobile we can know your GPS location and that data will let us do crazy things for our customers. Sometimes I joke with Binny that we can perhaps play cupid and bring people together based on their shopping profiles!'

Q1. Your mission now after the billion-dollar fund raise is to transform the way commerce is done in India. In doing this, you're actually setting a mission far beyond being just an e-commerce ecosystem. Tell us about the scope and scale of those plans.

A1. Sachin: We are now looking at the opportunity of how we can improve the commerce of India—it's a big and ambitious vision that we have set for ourselves. Having said that, we will admit that even from just an e-commerce ecosystem perspective in terms of both payments and logistics we are still at very early stages. From a logistics point of view, we are only in 300 cities—India has 10,000 cities and 70,000 villages. So there is still a long way to go from a logistics coverage point of view on what we can build and where we can reach. Payments is still in early stages; we haven't been able to make a big mark on payments yet—PayZippy is still ramping up and we are experimenting with a lot of new ideas to see what we can become. So that is work that has not been done and we will require a lot more time and effort to achieve scale in these two areas.

Now, let's assume that payment and logistics are solved and let's also assume that every Indian has a mobile phone in his hand with internet connection, the game then becomes very interesting. We can then do amazing things with this degree of mobile connectivity: how do sellers sell their products, how do sellers buy their products from manufacturers, how do you connect manufacturers to sellers, how do you connect sellers to consumers and manufacturers to manufacturers or B2B trade and C2C trade—all of this opens up if you assume that logistics and payments is solved. We are still very, very far from solving for all these cases and we may not be doing all of it ourselves, but what we will be doing is enabling a lot of this commerce—developing the backend capabilities that are required to ensure that this commerce happens. We believe that it will happen because the internet is making everything so efficient and providing transparency of information to everybody; it is a very empowering tool in everyone's hand. We believe we can attempt to solve some of these problems or remove the bottlenecks in the ecosystem; exactly what shape and form it will take I do not know yet and we will find out as we go further and execute on some of the ideas.

Q2. You've openly said that Jack Ma of Alibaba.com is one of your big inspirations. He said in an interview that the one time he did make big mistakes was when he raised USD 5 million in 2000—'when you have money, you make mistakes'. Flipkart has in the last 7 years raised almost USD 1.75 billion—what are some of the mistakes you've made?

A2. Sachin: We have made a lot of expensive mistakes and that is the part of the game. With money you tend to try a few more things—sometimes more than you should—and some of them will fail which can be both a good thing and bad because sometimes good stuff comes from trial and error. There are some things that we could have just not tried if we didn't have cash. For example, we decided that we should have 100 engineers in the company when we had an immediate requirement for only 10 engineers, but we said we should have 100 because we want to try things and build for the future. Did all those engineers work on something that was useful to us? No, a lot of things had to be built and modified but that's okay. Or take TV advertising; back in 2011 we decided to do TV ads which we wouldn't have been able to if it was not for the investment we received at the time. It was a risk because no one had advertised at that scale before and we didn't know how it would turn out. It hadn't been tried in other countries but it worked out great for us but we couldn't have done it without the funds.

Q3.Flipkart has got more things right than wrong in its journey, but there must have been mistakes as well; any that you regret?

A3. Sachin: I don't regret any mistakes that we have made because they have all been learnings for us and have helped us grow to where we are today. My instincts drive my decision making; I believe in starting from my gut and using instinct as the first gating criteria. I then look for data to validate or invalidate the hypothesis that I have. One mistake that looks silly in hindsight is the very first TV advertisement campaign that we ran which was very unsuccessful—it was a million dollar mistake. Nobody remembers the ad which is a good thing because it was a very bad ad. We got into that campaign without any customer research, we said we are an e-commerce company and we should stand for xyz and we should tell the customer this. Later when we conducted a survey, we found out that customers didn't care about those things at all—they cared about trust and reliability much more than prices and selection which were what we were trying to communicate via that ad. The 'kids' ad series came after that customer feedback and that campaign was a big, big success. We have definitely gotten more diligent with customer research after that experience.

Q4. One of the other highlights of 2014 was your acquisition of India's largest online fashion retailer Myntra. Apart from the very obvious fact that the acquisition gives Flipkart 70 percent market share in the fastest growing online shopping vertical, what were some of the reasons to go for this buy out?

A4. Sachin: Three things worked in favour of the Myntra acquisition. One, the people—that is the most important thing when it comes to any acquisition. The people, their capabilities, how good they are and what synergies they can bring to the table for your venture. With Myntra, we have known Mukesh Bansal for many years now, 6–7 years; we all started in the same neighbourhood in Bangalore, they were in the SSR Layout and we were in Koramangala. We had a comfort level with him when it came to culture and capability and there was, of course, mutual respect—that was very important. The second aspect was that the whole space was exploding really quickly and Myntra was the clear leader; while they were the leader, they were also the fastest growing company in that space and that lead to us really looking at them keenly because getting both those metrics right is not easy. The third aspect that was important was the realization that a fashion company is very different from a horizontal e-commerce company. A horizontal e-commerce company isn't really a deep expert at any particular category of e-commerce while in Myntra's case they have a very deep DNA of fashion; they have the best talent in the country in fashion and technology working for them and that combination is very hard to find.

Q5. One of your other major acquisitions before Myntra was Flyte in 2012. It was your foray into the digital media domain allowing users to download music at a nominal price point. An entire team was put in place to manage this sub-venture but you shut down the service within a year. What do you think didn't work—timing, positioning? What did the Flyte experience teach you about the Indian customer psyche?

A5. Sachin: Flyte was the biggest thing that we did that did not work out for us and backtracking on it was a big learning experience. But what was the reason? Simply that we could not get enough customers to buy from us two years ago—I'd say it was a bit ahead of its time. Maybe in a few years, Flyte's time will come again and we may very well look at a relaunch. Back then we just couldn't get enough customers to pay for songs and the whole business proposition was that we would get customers to buy music online that could be used across devices; we thought it was a very convenient solution but that assumption didn't hold true.

About the Indian customers psyche I would say that when it comes to buying songs, Indians have started believing that piracy is not illegal, so paying for music becomes irrelevant. But conversely when it comes to e-commerce—shopping and paying for things—Indian consumers are pretty demanding, they demand quality of service and quality of product much more than people think because in India there are not too many quality players. If you position yourself as a platform that stands for quality of products and service, then consumers are actually willing to pay a higher price for that promise. In the early days, when we were very small, we had no discounting on Flipkart because we believed that consumers were very quality-conscious. And how do I know this? Because I have made it a habit to talk to customers every month—just talk to them about why they shop online, where and how they shop, what they shop for, and what goes through their mind when they are processing a purchase decision. You will be surprised to know that most shopping decisions have nothing to do with discounts—it is not even in the top five criteria for the customer—it is about who they are buying from, what they are buying, and whether they are getting value for money.

Q6. Flipkart today employs nearly 10,000 people. As a CEO, how do you keep the team motivated and what is at the core of the culture that you have built at Flipkart?

A6. Sachin: Once you have a large set of employees that depend on you for direction constantly, you need to think about how your organization is built, how the culture in the company is built. But Binny and I are not alone in this; we have people in our company who have experience around this and some of them have been with the company for a long time. We don't believe it is just HR's job to create the culture; it is the role of all the senior managers as well to define that and shape the organization. We have always, from a culture point of view, focused on the notion that people who work with Flipkart need to understand the customer very well—that is core to our culture. Another thing that we have focused on is creating an impact, changing the status quo. These two are the biggest values that we have and we really like to push boundaries, not accept the world as it is. We like to question things and that is the defining trait we have stood for. There was nothing that Binny and I haven't done to satisfy a customer in the early days and we still believe that if we think about the customer as the number one priority, everything else will just follow naturally.

Q7. Over the years you've had a patchy experience with hiring and retaining senior management. What's worked for you and what hasn't?

A7. Sachin: The senior management today at Flipkart is a mix of people who have grown from within the organization, people who joined us early in our journey and have grown with us, and then there are people who have come from outside with significant experience. That combination works very well for us because there are certain areas of our business that are completely new and here we need entrepreneurial people to take up those positions and then there are areas that are similar to what has been done before and we need expertise over there to help us scale from where we are. And this is the mix that we have tried to create.

As the company grows, the needs of the company grow; today we have a very large pan India operation with lots of people on the ground across cities and you need expertise to manage operations at this scale, you need great people to come work with you and take up responsibility. So we don’t look for specific business verticals or divisions and say this is an area where we need an experienced person and this is an area where we need someone younger. The way we approach this is that once we have created a role based on the needs of the company, we go out and see if we can find people with capabilities and expertise to fill that position; based on the calibre of talent available in the market, we take a call on whether we must bring someone from outside or look within Flipkart.

Q8. And for you as co-founders, who are still in leadership positions at Flipkart, what does it mean?

A8. Sachin: We like working with people who have enthusiasm and have high capability and we have always wanted to create a professional environment even when we were small. If you want to create that environment, you have to be ready to let go of some responsibilities or give freedom to people to execute and that is what we have tried to do right from the start. For instance, Mekin Maheshwari, who is today our head of HR, joined us way back in 2009 as our head of engineering. Even at that time, as soon as he joined, we let him run the whole of engineering on his own; we gave him a lot of responsibility and freedom to execute. That has been our approach right from the beginning—we realized that we can’t scale if the founders are taking all the decisions and are involved in everything. We have always been looking for people who can grow fast and take on more responsibility or people who have done certain things in the past and can come in and take responsibility for a part of the business instead of Binny and I doing it.

From a point of view of hiring experienced hands, we have a lot of senior leaders who have come into Flipkart and it didn’t work out. We have learnt from those mistakes on what works and what doesn’t and what kind of culture we are trying to create—that has led to shaping up of our thought process over a period of time. Even the people who didn’t work out were very capable in their own domains and had achieved many things before coming here. The thing is that working in Flipkart and working in a MNC is different in a few aspects. One, the amount of work that you have to do is more than what it is in a very stable environment. It's a lot more hours, the volume of things you have to do is much more because the business is moving very fast and business cannot wait, and that puts a lot of pressure on people. So for people who are not used to working that much or that hard for that long a period of time, it can be a very pressurized atmosphere.

The second aspect of how it is different is that the founders—both Binny and I—are in our early 30s and we started when we were 26–27-years-old. We are not experts at anything—not HR nor finance nor business operations or anything at all—we have learnt as the company has grown. A lot of times what happens is that we expect people to come in and run independently on their own and that is also a challenging situation for some people.

Q9. Binny and you have had an incredible start up journey. Who's the heart and who's the brains behind this well-oiled machine?

A9. Sachin: Like any startup we have also gone through our ups and downs, our teething pains, and we have gone through it together—that has really improved our relationship. Binny and I have very complimentary styles—for someone looking from the outside it appears that we are very similar in our thought process, but the way we approach problems and solutions is slightly different. When I am faced with a problem, I first start with a gut-level solution and then look for data to validate or invalidate my hypothesis. Binny on the other hand is able to look at a lot of data and is able to derive insight from that data and come up with deep solutions to those problems. These approaches are different and complimentary and as a combination, it has worked very well for us.

Just Dial

Company name: Just Dial

Founder: V.S.S. Mani

Date of incorporation: 20 December, 1993

Size: Operational revenue at INR 461 crore and net profit of INR 121 crore for FY14

Head count: 9975

Geographical presence: India, US, Canada and UK

Positioning statement: Anything, Anytime, Anywhere

V.S.S. MANI REMEMBERS one of the first business ideas that he was able to execute flawlessly—film shows that he ran for his neighbourhood friends in Kolkata. Mani had just completed his 10th standard board exams and as a languid summer stretched before him, with only his results to look forward to, Mani decided to keep himself occupied. ‘Those were the early days of the VCR. I used to hire a VCR, print tickets, and sell them to friends for movie shows. Many of my friends who were from entrepreneurial families didn’t even think about it. I would actually say that entrepreneurs are born, they cannot be made. Entrepreneurs look at opportunities differently; they look at the same situation differently. I would say that I was born an entrepreneur.’

When Mani was eighteen, he moved with his family to Delhi, the city which became his mentor. ‘Here every individual thinks like a entrepreneur and that culture helped me nurture my own ideas,’ say Mani. The city’s aggression and materialistic thirst changed Mani’s laid back albeit canny approach to life. His grades didn’t allow him admission to any of Delhi University’s fabled colleges and he had to settle for Dr Zakir Hussain College in North Delhi; simultaneously Mani started his chartered accountancy articleship hoping to start a practice soon after graduation. But life had some googlies to throw his way first, changes that put into motion his journey to Just Dial when he was just 22-years-old.

Financial difficulties in the family made Mani, the eldest of five siblings, take up a job with United Database of India in 1987. ‘I had taken up a job in a yellow pages company and I went for a sales job because it paid better than accounting,’ says Mani. ‘I wasn’t that serious about the job initially since I had taken it up only to supplement the family income, but I got so engrossed in it in a few months that I forgot about my academic goals. Working there for two years, I realized that this is the space I wanted to be in, I didn’t want to be an accountant anymore. The most interesting thing about the job was that I used to meet a lot of entrepreneurs and business owners because my job was to sell them space in the directories. I picked their brains, sort of studied how their brain works and how they think differently from common folk like us. I was 22-years-old at the time and greatly desired to become like them. One day I was chatting with one of my customers and we were discussing business ideas; that's where the idea of computerizing the data and making it available over the phone rather than publishing a directory came from. This was back in 1989. There was no internet but we wanted to disrupt the print yellow pages business—we wanted to do it more dynamically and make it available 24/7 to people anywhere in the country.'

So, Mani and two business partners launched Ask Me, a call-in directory service for Delhi and Mumbai. An early iteration of Just Dial, the venture stayed afloat for a couple of years before Mani gifted his shares to the other co-founders and decided to move on. 'The main reason why Ask Me did not do well was because it was way ahead of time. We are talking about 1989 when there were just 4 million phone connections for 800 million Indians; telecom itself was so under penetrated that reaching out to the prospective user was a big challenge. Secondly, we were not funded back then; being young and ambitious, we spread ourselves too thin and within 18 months we realized that we were not even able to meet our payrolls. We were perhaps too young and didn't know how to run a business. But even if we had got funding and were a little wiser, the lack of ecosystem would have meant that we would have still struggled for a long, long time; the telecom liberalization happened seven year too late in 1996.'

Having worked for himself for a couple of years, Mani couldn't imagine going back to a 9–5 job for someone else. He felt a job would 'kill the entrepreneurial instinct' in him and so with his meager savings, and help from friends and two business partners, Mani launched a wedding planning business—a publication which essentially was an enhanced version of a classifieds for all matrimonial purposes. A tie up with *Hindustan Times* in Delhi gave the venture the much needed credibility and distribution, but Mani had bigger plans for himself. 'That stop gap business made money but despite that there wasn't a meeting of minds between the three co-founders. I felt suffocated because I had big dreams and wanted to build a big enterprise—I had always dreamed of touching the lives of millions of people so I was feeling curbed to a very limited business and role and they (co-founders) were not in a mood to expand and do new things so I finally gifted my shares there too—I left everything on the table for the other partners and moved out of the business.'

Mani then dabbled with starting a call-in directory service in Dubai with an Arab sheikh, but once again it was a partnership that fell apart even before the venture really took off. Mani returned to Delhi quite despondent. 'I moved to Mumbai in 1994. When we were running Ask Me, I was the only unmarried one, so they would push me to travel to other cities and I practically lived in Mumbai between 1989 and 1991. I had fallen in love with the city; doing business in Mumbai was much smoother, people were more ethical and more committed. When my stint in Dubai didn't work out, I reflected on my good old days in Mumbai where I had done very well and my instincts told me that I could do well again there.'

So in 1994, Mani moved to Mumbai and tied up with the Times Group to launch a version of the Wedding Planner for the Mumbai and Delhi markets. The business did reasonably well and gave Mani the confidence to once again revive the call-in directory service this time from a 300 square feet garage in the Mumbai suburb of Malad. It was 1996 and Mani felt the timing was right because the government had announced policy measures to liberalize the telecom sector. Having learnt from earlier mistakes, Mani intended to run a tight ship this time round. He put INR 50,000 into the venture, had only five full-time employees and rented all the furniture and equipment in his garage office!
'When I was applying for the phone lines, it turned out to be a one-year wait because if you wanted an instant phone connection, it took INR 15,000 per phone and I could not afford that, I had applied in the INR 3,000 per phone category. During the Ask Me days, the helpline was not a vanity number; we noticed that people would remember the brand but not the number and that was a no-win situation. So when I started Just Dial I went for a simple number—88888888 in Mumbai and 22222222 in Delhi. The one-year wait for the phone lines gave me a year-long lead time to develop a decent software with a one-man coding team and my logic—I'd write the pseudo code in English and he would translate it and together we developed a great search software by the end of the year.'

Enlisting the help of neighbourhood college students, Mani also used the first year to build up a sizeable database of small and medium businesses. With a few advertisements in local newspapers the calls had started trickling in as well but the tricky question of monetization remained. ‘We realized that business owners were also our consumers and instinct told me that even if 1 out of 20 guys chipped in to become a paid listing, we’d be set. So we once again sent out the college students who were our sales force at that time to educate the small and medium business owners about this service that they could use to boost their sales. That really took off and in the first month I ended up saving INR 2000 after paying all the bills! I was so excited. Within 4–5 months we started in Delhi and since then we have never looked back. I always say that this company has been self funded and our early angel investors were our customers.’

This is one early lesson that Mani hasn’t forgotten —simplicity and accuracy for users who call Just Dial and tangible returns for business owners who pay to be part of the platform. Just Dial today has more than 221,000 paid advertisers and receives more than 364 million search requests a year. Its users are spread across 1,800 cities in India, though 90–95 percent of its revenue comes from 12 cities. Advertisers pay between INR 3,000 to a few lakh depending on the location, products, and services they are listing on Just Dial.

But what has really helped Just Dial stay relevant to the Indian user is its acute awareness of changes in the market place and extreme nimbleness in adapting to those changes. Just Dial was on the web right when the web took off and started mobile-based services much before smartphones became de rigueur. Now Just Dial is no longer just a local search engine; it’s steadily building itself into a search plus transaction platform. So not only can you look up contact details of a new restaurant but also book a table there or even order food from the restaurant seamlessly without moving out of the Just Dial interface.

That’s on the user side; for its other major stakeholder, the small business owner—90 percent of whom are still brick and mortar retail establishments—whose ‘online’ presence as such is mostly restricted to a listing on the Just Dial website or mobile app, Mani has more ambitious plans. For these retailers and service providers, Just Dial is all set to become a default marketplace because Mani believes that no matter how big the Flipkarts and Snapdeals of India get, there is still a big enough market out there of sellers and buyers that need and will benefit from a hybrid platform, ’Ninety-nine percent of India still shops at brick and mortar establishments and we want to empower them (both buyers and sellers) with an online interface. So if you want to buy a mobile phone of a particular brand, you can just come to Just Dial and within 60 seconds you get to know the price of that phone from a range of vendors in your vicinity. You can then choose to go to the store and purchase it if you are the touch and feel type or even have it delivered to you directly by the local vendor.’

Mani is confident of being able to monetize this latest play as well but he won’t let on just how he plans on doing it. There is more pressure on him to perform now than there was in previous instances given that Just Dial has been a publicly listed entity for over a year. Answering to a board of investors, even if they are the likes of SAIF Partners, Sequoia Capital, and Tiger Global is one thing, and to Dalal Street quite another. But if his track record is anything to go by, Mani’s going to get it right eventually.

Q1. You’ve described running a B2C business as ‘playing chess with over a million people at the same time. It’s a mind game and you always need to come up with something better’.

A1. This is in the DNA of the company. If you look at our business, we built it without capital. We scaled effortlessly in the size of operations and in every market we’ve entered we’ve given a ‘Wow!’ experience to the user. You can’t constantly give the user the ‘Wow!’ factor if you are not constantly innovating; innovation is in the DNA of the company. My personality is such that I am super alert and I look at the future in a very different way—I don’t like the idea of our business being disrupted by an outsider. I’m not a romantic guy who is in love with his own ideas. I have my ideas, but if they are no longer relevant, I look for the next one.

If you look worldwide at companies in the technology space, businesses get disrupted by a superior product or superior technology and that is something that I have never let happen to this company. The second thing is that we always focus on the user and when you focus on the user, you know how to time your moves right. We did not launch a search service for mobile phone users in 2004 because the penetration of mobile phones was low and charges were very high, but we did it in 2007 simultaneously with our website. When we took our voice product online, we realized that the web is different, people want not only accurate information but also rich content—they want pictures, videos, maps, directions and so we worked towards it. Then in 2010 it was very important for us to have user generated content or we would perish because someone would come along with a model like Yelp and say we are a better search destination than Just Dial because we tell you what others like. So in 2010 we implemented a user review and rating system and when we launched this, we thought people would come online and write reviews but it was not so easy. People here (India) are not so motivated to write reviews but we still had to crack this space. So we did a customer survey and found out that people had opinions but not the time or inclination to write review; but they did want to know what other people thought. So we started asking our voice callers to rate the businesses that they had checked out last time and we saw that people were very forthcoming with ratings and then we implemented the same thing on the web and then on our mobile app as well. Today we have refined the ratings system, using completely in-house technology, to the extent that you can see reviews and ratings given by your friends and not just random ratings that may not be as significant to your decision-making process.

Today there is no resistance to change in Just Dial; those days have gone. There was time when there would be fierce debates against change. Today I can confidently say that change is the only constant at Just Dial and we are a company that has been relevant with the times all the time; never have we been late on something.

Q2. As you have moved from medium to medium—voice to web to mobile—what have been the challenges as far as monetization is concerned? Any lessons learnt from early mistakes or from the ecosystem around you?

A2. Just Dial today has11.5 million listings. When our first investor came in, we had 3 million or less businesses on board. This 11.5 million will go up to 15 million plus in a few years from now, and the effort is continuously on to be relevant and comprehensive. Secondly, information that Just Dial now provides is not restricted to just contact information—most listings include pictures, maps, and ratings. Our sponsored listings get preference in terms of ranking but at the same time the user has the choice to sort by ratings or any other parameter he prefers.

So the way Just Dial works, or for that matter Facebook or Google work, is that we focus on one set of people and that is our users; we want to keep them happy and stay relevant to them and in the process we make money if there is an opportunity to do so. Years ago, Mark Zuckerberg said that Facebook would never serve ads on its Newsfeed and I remember that my first reaction was that it's only a matter of time before he's forced to do it. I could see the world moving to the cell phone and when the screen becomes small, you can only show a tiny banner ad; so he had to eat his words and show ads in the Newsfeed and today Facebook is making the most money from there.

In the early days, between 2007 and 2009, we tried to sell listings on the Just Dial website separately; we didn't bundle voice and web together for the merchant network. A good majority of merchants didn't show interest on the web version because they themselves were not web users. One of our board members suggested that we go for a pay-for-performance model instead of the regular Just Dial model where a business owner pays for a tenure and/or ranking and so on. My instinct said that it would not work, but then there was such a vigorous discussion on it that I took the plunge and we introduced the pay for performance model. Initially, the response from the business owners was very good as they thought that they would be paying only if there was performance. So when the time came for contract renewals, the merchants said: 'Yes, Just Dial generated 100 leads but only 10 gave me business, 90 didn't give me any business so I won't pay you for that.' For the first time ever in the history of Just Dial, we came down from growing 50–60 percent year on year to 20 percent.

Then I took up the challenge of revamping the whole thing—I scrapped the pay-for-performance thing. Additionally, I took the call to bundle voice, web, and mobile together and offer it as one Just Dial package to the customer—whether he understood internet or not, whether he wanted mobile or not, our sales pitch to them was to think of the web and mobile service as a Just Dial value-add to voice. This is how we made the product simple and it was at this point that we introduced the automated pricing engine. Till then we were putting our brains to task, thinking of what to charge business owners for paid listings; human beings were taking a call on what to charge car rental companies, what to charge restaurants located in different cities, etc. The pricing engine we built took care of this entire thing and that gave us a scaleable solution because the software was coded in manner that it would give weightage to traffic for a key word, pin code, etc. and then present a budget for a listing.

All these changes have helped us; we have been a fully automated company since 2008–09, even our field executives used laptops to sign up businesses. Everything is online, there are no paper contracts, and today they carry an iPad with an application that helps the sales representative arrive at the right campaign, or should I say customized pricing, on the spot for the merchant when he is signing up.

Q3. How has investing in technology helped you stay ahead of the curve? How much of the innovation on the technology side is driven by your understanding of the marketplace?

A3. That's what I do all the time. I think about the products, I work with the software team to get the products right, I test it myself. Of course, there is a team for everything, but I get involved and the vision is always to get to the next level. As a search company we may be relevant today, but very soon the world will change— people will want to search and transact at the same place. So we are building a master app, or what we call a multi-purpose app, which will be a single destination to do everything—buy tickets, hotel rooms, name it and you will find it. We'll offer products as well. Today we are spending a lot of our time educating the businesses that are listed with us. We'll be the first company in the world to offer something like this.

You will see us doing a lot of things like that and at the core of it is technology—the people element of Just Dial will reduce day by day. Five years from now, the headcount will be much lower that what we have today but the headcount of engineers will go up 5–10 times.

Q4. But isn't the world moving towards the niches? Today if I want to book a movie ticket, I go to BookMyShow, if I want to see restaurants I go to Zomato, for travel related stuff I have the MakeMyTrip app. I only tend to go to Just Dial for things like doctors, hyper local things like hardware

stores, etc. How have you dealt with this sort of niche fragmenting in the market?

A4. The biggest competition for Just Dial is Just Dial itself because we keep challenging our old products with new ideas and products. Online travel had to happen because it made a lot of sense to get an online quote on a travel ticket which you can then compare with various other sites. So far we had been empowering the travel agents—a percentage of India still uses travel agents, and because overall travel is growing, so the pie is getting shared. Now what we are trying to do is become the single destination for all your requirements; you will be able to buy everything from tickets to hotels on Just Dial and your experience on Just Dial will be nothing less than the one you have on the sites mentioned. My personal belief is that there will be an app fatigue among people. It will be too much nuisance eventually—too many notifications, too many alerts, too many things to handle—users will prefer going to one master destination for everything which doesn't compromise on quality of the result that you get.

You named Zomato and I'll take that up—I think you can always create a vertical, but the bandwidth of growth within that is limited. Now I am a frequent restaurant goer. Eighty percent of the time, I go to restaurants that I know, so my need is often to reserve a table or order food from there. For that I don't need a site like Zomato, I need Just Dial because it is the only site that allows me to order online across thousands of restaurants; it is the only one that allows me to book a table at a restaurant. Plus Just Dial is the only search engine that tells me what my friends like. I can also pre-order food while making a reservation through Just Dial.

You've got to understand that just glamourizing something doesn't mean you will take the whole market. Every new hero who comes to Bollywood will get some attention for a while but how many have become like Amitabh Bachchan? So here Just Dial is Amitabh Bachchan for you; it's forever relevant, forever one step ahead, and forever surprising you with the experience!

Q5. Just Dial is disrupting its own business model with 'search plus'. Where did the idea come from and what have been some of the early challenges in execution?

A5. At Just Dial we are constantly looking at disrupting our own business and we do it consciously. If we pick up a hint from the user or the environment that he is changing, then we quickly bring that change in our product. The idea for 'search plus' came in some ways from my wife. One day after the IPO was done, I was chilling out at home and absorbing things, thinking about the company when I noticed that my wife was unusually hassled about doing some mundane household chores like ordering groceries, fixing a doctor's appointment and so on. I casually asked her: 'What if I create an app where all this built in? You don't have to find numbers and make calls, the app will do it for you.' She said, and these were her words, 'Mani, for the first time in 20 years of married life you are making sense to me.'

Another thing I noticed was how her use of the internet had changed since the smartphone arrived. She was never an internet person; she would in the past spend at the most a few hours a week online, but ever since she got a smartphone that's changed. She's constantly on her phone now, not making phone calls but messaging and chatting with friends on Facebook or WhatsApp. I realised that if she could change so fast and so completely then this will happen to millions of Indians as well and at that point Just Dial being just a search engine will not suffice. Just Dial has to be able to deliver more and that's where the search plus idea came from: search plus friends' ratings, search plus transactions, etc.

The challenge in getting this going was not so much building the technology or getting users, people like my wife, hooked on, the challenge was to get the vendors, the business owners to use this technology to give the 'Wow' experience to customers. They said we don't know how to use the computer, so we gave them a tablet solution and a SaaS (software as a service) platform which they could use for their internal purpose as well as for Just Dial online orders. But this did not work well; we had to simplify it further. It struck me that just like my wife, the small business owner was most comfortable with his smartphone, so we created a simple messaging interface that they could use via their smartphone to track the orders that were coming their way via Just Dial.

Q6. SAIF Partners, Tiger Global, and Sequoia Capital… It's the absolute class A of investors that anyone can ask for; what would you say these investors have brought to the table for Just Dial?

A6. Our investors came in around 2006. By that time we had approached many bankers for funds but they had all rejected us because they didn't understand this space. Finally we went with one small time banker who promised to list us on an over-the-counter exchange. We were almost on the verge of applying for a listing when our first venture capitalist—SAIF Partners—walked in. They said: 'We use your service, we like it; we want to hear your story and we may want to invest in your business.' It was a three-hour long meeting and end of it they said: 'Can you meet us again tomorrow morning to sign the term sheet?' So it was within 24 hours that we signed the term sheet and it gave Just Dial a decent USD 60 million valuation in 2006. Ravi Adusumalli who runs the fund is literally an angel for us! Today they are getting a 40 times bigger return on their investment and that investment really changed things for the company. Then within six months we got Tiger Global and they were the ones that really encouraged us to go online and take the business to a new level.

It was a big decision for Just Dial to go online because our strength was our data and our content. We had data that no one else had, so the fear was that if we go online we'd expose the data to the whole world. The other fear was that this move would cannibalize our voice traffic which would go to the web and at that point we didn't know how to monetize web. So there was a risk of de-growing revenues as traffic went online. The third worry was that large, giant search engines could pick this data and emerge as deep pocketed competitors for us. The fourth, and last, worry was because of India's copy cat culture, there would be many wannabe local search companies that would whack our data and start their own version of Just Dial.

There were a lot of internal debates and the management team was against it but I realized that we had to make the move because at the end of the day Just Dial as a company always focuses on the consumer and if the consumer is moving online, then we had to be available online. So I said, instead of letting someone else disrupt our business, we should disrupt our own voice business and go online. In fact I put out a mandate saying that we should tell every voice caller that we have a website and that they should check it out. Our website went up in 2007 and within months we got huge organic traffic because people knew our brand and knew that it was reliable.

Q7. When did you first contemplate the IPO; and the first time round when it didn't go through how did you deal with it?

A7. We first tried listing the venture way back in 2006 because one of our early investors wanted some kind of exit, so it was an obligation that I had to fulfil. But fortunately we got a private equity (PE) investor at that point who was willing to buy secondary shares so the listing wasn't necessary. Then again in in 2007 and 2009 that investor sold more of his shares and exited at about 20 times and that was pretty good for him.

We remained wary of going public through 2009–11, but when you have private equity investors you have to give them an exit one day or the other; so it was a compulsion on us to go and list. Moreover, we had also given a lot of stock options to our employees so a liquidity event like a listing on the stock exchanges made a lot of sense. We set out to do this in 2011. We got in the bankers, we went on a roadshow, we were about to list in May 2012 when three things went against us: one, the rupee tanked to about 67/ USD, the BSE Sensex fell to about 16,000 levels, and Facebook stock which listed on Nasdaq was trading below its issue price. In effect, the bankers felt this was not the right time to go public and that we should wait. A year later, things looked better, but once again the same things played out but we went ahead because we felt that the appetite amongst investors was huge and they were kicked about Just Dial because it was so unique. Initially it was a challenge for us because investors would ask for a comparison— are you like Yelp?—but then even they realized that this is a unique company and they would wonder why no one else was doing this in the rest of the world. Ultimately we were 12.7 times oversubscribed in the year when the IPO market was dismal. So we came out winning as always.

Q8. Being a listed company after nearly a decade of functioning without the street's eyes on you can be difficult at times.

A8. We are going to complete a year this month (May) and the experience since listing has been okay. The only complaint is that I have to take out extra time to talk to investors, analysts, say the same things over and over again. That is taxing for me because I am passionately involved in running my business but I understand that this is also a requirement. Also I won't need to do this forever because over a period of time the investment officers, relation managers, and CTO will take over but as far as running the company is concerned, it has not changed one bit. It's good to have watchdogs to keep you on your toes and be alert because now the public is also part owner of the company.

Pressure builds up only if you are constantly worrying about the direction in which your stock price is going; if you are obsessed with that then it can curb your risk-taking abilities and other things, but if you leave it to the market to decide your stock price and don't get affected by it and focus only on passionately running your business, nothing much will change.

Q9. Just Dial is one of the ventures that has had a very aggressive advertising campaign, that too with none other than Amitabh Bachchan. Why did you feel the need for such a high powered ad campaign and very honestly, were the returns justified?

A9. The first campaign we ran was with Boman Irani in 2007–08, but in 2010 we realized that Just Dial has to grow pan India, especially in North India, so we needed a brand ambassador who has brand appeal across India and across all age groups and segments. An important criteria was for the brand ambassador to have been around for a long time, not someone who's success is a flash in the pan. We made a list of people—sports personalities and film actors—sportsmen we realized are problematic because their appeal is dependent on their performance and sometimes that can have a bad impact on the brand and also some of them might not have appeal across the country. Among actors Mr Bachchan stood out like a giant because he has lasted for decades and anything he touches turns to gold, for instance KBC. We felt that if he speaks about our brand, then a lot of people who are not using our product will take notice of it—for us the challenge was not the young segment which was already using Just Dial, the challenge was to bring in the other age segments. On the other hand, we also needed someone not only to connect to the users or callers but also the small and medium business owners who list on Just Dial. The average SMB owner is about 40 years and we needed someone who would appeal to that segment as well, so we chose Mr Bachchan.

Q10. How would you describe your management style?

A10. From day one I have delegated everything—100 percent power is given to people to manage their departments and verticals. You'll be surprised to know that in all these years—18 since I have built this company—I have worked from my home, from my cave where no one has access—they can contact me by sending me a message or a mail. We have 8500 employees and so many different departments and we have the best of talent working for us. At the same time, I get involved in everything in a very micromanagement style—that doesn't mean I manage it for them but I get deeply involved—so I know exactly what is happening in software; what coding challenges we have; I understand what's happening in the product department and I tend to help out in finance when they are stuck; similarly with sales strategy. This is the way I am, I love to do all of this—it keeps me young, it keeps me happy. If you ask me about the culture of Just Dial, we still have a very startup and entrepreneurial kind of culture here; every member of the management and junior management team is more like an entrepreneur than a regular professional. That is what makes us so different and that is why we are so good at execution compared to others; we walk the talk and do things in a shorter period.

[1] http://www.mobyaffiliates.com/blog/InMobi-interview-native-ad-platform-complete-game-changer/

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