How to Start and Manage Startup Companies in India, a Case Study Approach

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Abstract - Startup is defined as “an entrepreneurial venture or a new business in the form of a Company, a partnership or temporary organization designed and search of a repeatable and scalable business model.” Start-up is one of the scorching event this era which everyone is talking about. Start-up India Campaign which was started on 15th August, 2015 is particularly based on enhancing the start-ups to encourage the entrepreneurship and job availability. The start-ups are the kind of companies which are innovative in their course of development, analysis, evaluation, research for the target segment. The purpose of this article is to put some light on establishing a start-up and managing the startups and the initiatives taken by government of India with the help of some of the start-up case studies in India.

Key words - Start ups, Managing startups, initiatives, Case studies

INTRODUCTION

On 15th August 2015, PM Narendra Modi announced this initiative at the Red Fort as Start-up India and on 16th Jan 2016 it was officially flagged by Finance minister Arun Jaitley. The main aim of the Govt is to provide maximum help and support for the new emerging businesses and ideas. The support will be in the form of finance, technology, economic, social as well as environment. As it is a known fact that when someone starts a new enterprise or tries to get into entrepreneurship they face many problems like finance, land permissions, environmental clearance, foreign investment proposals, family support etc. It is one of the much needed initiative plan of Govt of India.

An idea can be converted into a start-up. Even sometimes the crisis becomes the opportunity and it gives birth to the start-ups. Many times we have seen that we have an idea but we do not dare to initiate it or we do not find it worthy. On the other hand other people take that idea as an opportunity and mobilise into reality. But sometimes the idea and opportunity taken and started if not managed properly they will lead to failures.

STARTUPS IN INDIA

In recent years, the Indian startup industry has really taken off and come into its own— driven by factors such as massive funding, consolidation activities, evolving technology and an burgeoning domestic market. The numbers are telling—from 3,100 startups a projection of more than 11,500 by 2020, this is certainly not a passing trend. It's a revolution. And it's going to change the way the markets are working today in India. Between 2010 and 2014, the infusion of VC and PE increased from $13 million to $1,818 million. Angel investment too has multiplied almost 8 times from $4.2 million to $32.2 million. Based on data published by YourStory, in 2014, Helion Venture Partners was top of the investors list going by the total number of deals made, followed by Sequoia Capital, Blume Ventures, Kalaari Capital, and Accel Partners. In 2014, 43 startups were acquired; so far this year the number has been 41, with startups themselves being the most acquisitive of the lot. Of the 41, merely two deals were struck by large corporates, with Godrej and Mahindra & Mahindra as the buyers. In January 2014, Facebook had acquired Bangalore-based little eye labs—a startup that made a software tool for analyzing the performance of Android apps. Zip Dial is a—missed call marketing! platform with an impressive client list including Unilever, Disney, Gillette, Amazon, Facebook. Startups in India have given rise to more startups.

CURRENT STATE OF STARTUPS IN INDIA

1. India is the third largest Startup hub.
2. Average age of startup founders is 28 years.
3. 9% of the total startup founders are women.
4. Total tech startups are expected to increase from 5300 in 2016 to 11500 in 2020.
5. Average number of new technology startups has moved from 480 in 2010 to 1000 in 2016. Expected to increase to 2000 in 2020.
6. Majority of startups and investors are from metro cities.
7. Approximately, 50% growth in share of female entrepreneurs in the last 12 months.
8. The number of Private Equity and Venture Capital firms has doubled in the last 12 months.

LITERATURE REVIEW
Paul Graham says that "A startup is a company designed to grow fast. Being newly founded does not in itself make a company a startup. Nor is it necessary for a startup to work on technology, or take venture funding, or have some sort of "exit". The only essential thing is growth. Everything else we associate with startups follows from growth.

A startup business is defined as an organization:

- Incorporated for three years or less
- At a funding stage of Series B or less
- An entrepreneurial venture/a partnership or a temporary business organization
- New and existence for not more than five years
- Revenue of up to INR 25 cr.
- Not formed through splitting or restructuring

Thomas Hillmann and Manju Puri (2000) examine the empirical evidences on the impact that the venture capitalists can have on the development path of new firms. Their study suggests that there is soft facet to venture capitalists in terms of supporting companies to build up their human resources within the organization.

Christopher A. Pissarides (2001) in his paper studied that the role of company starts up costs for employment performance. This paper is highly theoretical one. The conclusion is the factors that can explain the differences in Labor Market performance are structural and should be sought in the institutional structures of the countries.

Omid Sharifi, Bentolhoda Karbalaei Hossain (2015) in their paper stated that the various financial challenges faced by the Startups in India. It also depicts the difficulties faced by the startups at the initial stage. The major findings are major leap in technology have led investors to raise the bar in terms of how much leg work entrepreneurs are expected to do before even pitching their companies.

OBJECTIVES OF THE STUDY

1. To study the initiatives taken by Govt of India for start up companies
2. To study the different steps in establishment of Startups
3. To suggest the various measures for successful management of Startups.
4. To give the case studies of successful startups.

Research Methodology

This study is mainly based on the secondary data. These data are collected from various websites, journals, and newspaper articles. The study is descriptive & conceptual in nature.

INITIATIVES TAKEN BY THE GOVERNMENT

The govt plays an important role for establishing the new enterprises. The initiatives taken by the govt of India for start up are as follows.

1. Self certification: The main objective of the govt is to reduce the load on the start ups hence allowing them to concentrate fully on their business and keeping the low cost of adherence. It will include labor laws and environment related laws.
2. Start-up India hub: A single contact point will be created for the start-ups in India, which will enable them to exchange knowledge and access to funds.
3. Register through app: An online portal, will be available in the form of a mobile application, which will help entrepreneurs to interact with the govt and other regulatory officials.
4. Patent protection: A monitoring system for patent inspection at reduced costs is being created by the central government. It will enhance perception and acquisition of the Intellectual Property Rights (IPRs) by the entrepreneurs.
5. Rs 10,000 crore fund: The government will develop a pool with a starting aggregation of Rs 2,500 crore and a total aggregation of Rs 10,000 crore over four years, to help new entrepreneurs. The important role will be played by the Life Insurance Corporation of India in blossoming this collection. The fund will be managed by a group of professionals selected from the start-up industry.
6. National Credit Guarantee Trust Company: A National Credit Guarantee Trust Company (NCGTC) will be created with a budget of Rs 500 crore per year for the next four years to help the drift of funds to entrepreneurs.
7. No Capital Gains Tax: Investments through venture capital funds are exempted from the Capital Gains Tax. The same policy will be executed on start-ups.
8. No Income Tax for three years: Start-ups would not pay Income Tax for the first three years.
9. Tax exemption for investments of higher value: In case of ventures of higher amount than the market price, they will be exempted from paying tax.
10. Building entrepreneurs: Creative study plans for students will be implemented in over 5 lakh schools. Apart from this, there will also be an annual businessman grand provocation to develop high class businessmen.
11. Atal Innovation Mission: This Mission will be propelled to revitalize ideas and motivate creative youngsters.
12. Setting up incubators: A private-public partnership model is being considered for 35 new incubators and 31 innovation centres at national institutes.
13. Research parks: The government plans to lay seven innovative research parks, including six in the Indian Institute of Technology campuses and one in the Indian Institute of Science campus.
14. Entrepreneurship in biotechnology: The government plans to construct 5 advanced biotech nests, 50 advanced bio incubators, 150 technology transplant offices and 20 bio-connect offices in the country.
15. **Dedicated programs in schools:** The government plans to inculcate transformational programs for scholars in over 5 lakh schools.

16. **Legal reinforce:** A committee of moderators will give legal help and reinforcement in complying patent applications and other papers.

17. **Rebate:** An exemption value of 80 percent of the total value will be given to the start ups on filing the patent applications.

18. **Easy rules:** Standards of communal acquisition and mandate of switching have been easier for the entrepreneurs.

19. **Faster exit:** If an entrepreneur is unsuccessful than the government will help him to get a particular resolution for their complication.

**APPROVALS AND OTHER REGULATORY PROCESSES**

**Single online clearance system**

A commendable development in the pipeline is to bring an online approval window which will provide over 200 permits required by different industries from various government divisions. This new system for clearance approval for new entrepreneurs would allow them to apply for and track the status of their applications/license permits online.

**Simplification of regulatory regime**

To improve India’s ranking on the ease of doing business to 50 from the current ranking of 142 on the World Bank’s index, steps are being taken to simplify business processes and regulations. According to a DIPP official, a government panel is working on a policy that proposes exempting startups from a 22 federal rules and regulations such as:

- Proposal includes exemption from company and labour laws until a startups revenue touches to certain level.
- Certain tax exemptions for a specified period and
- Easing norms for raising capital globally.

**E-BIZ Portal:** To boost young entrepreneurs and too make it easy to start your business. Budget 2015 has pitched for the white spread usage of the recently launched e-biz portal. The portal integrates the regulatory permission at one source. The use of this portal helps entrepreneurs for faster clearance for setting up of business.

**Mudra Bank:** Several entrepreneurs in the MSME Sector have often complained about lack of difficulty in getting finances to run their business. So this bank has been set up for providing finance for Microfinance to the required individuals.

**Atal Innovation Mission:** Finance Minister in the Budget 2015 has launched the Atal Innovation Fund. (AIM). AIM will be an innovators promotion platform involving academics, entrepreneurs, and researches.

**ESTABLISHMENT OF START UPS**

**STAGES OF THE STARTUP LIFECYCLE**

**PRE STARTUP**

Discovery- Identify a potential scalable product/service idea for a big enough target market. Validation- The service or product discovered hits the market, looking for the first clients ready to pay for it.

**STARTUP**

Efficiency -The entrepreneur begins to define his/her business model and looks for ways to increase customer base constantly.

Scale- Pushing the growth of the business aggressively while increasing its capacity to grow in every possible sustainable manner.

**GROWTH**

Maintenance- Maximizing benefits and facing problems derived from the global dimension in terms of competition that the business has achieved Sale or Renewal - The decision to sell the startup to a giant or acquire huge resources that the brand will need to continue growing as a venture.

**STARTUP FINANCING LIFE CYCLE**

1) **Funding by Angel Investors/ Seed Funds**

- Early stage startups rely on angel investors and seed funding.
- Invest solely into the entrepreneur with an idea.
- Does not encumber the entrepreneur with any corporate governance formalities

2) **Venture Capital**

- Used to scale the company’s business model.
- Comes from larger institutional funds.
- Focus is on building the sales force and establishing a global presence.,

3) **Public markets**

- Late stage startups can feel the need to expand more aggressively or actively innovate the products which require larger funds.
- Private equity funds together with public markets provide large amounts of liquidity to late stage startups.

**MANAGING THE STARTUPS TO AVOID FAILURES**

1. **NEVER UNDERESTIMATE COMPETITION OR COMPETITORS**

19% startups have been underscored the challenge posed by their competitors. The competitors may out beat by their strategies. Startups should be able to develop the idea according to the market requirement to overcome competition.
2. **SERVE THE NEED OF THE MARKET**
The idea developed by the startups should serve the market need otherwise customers are seldom interested in the model they prepare. 42% of the startups fail due to this reason. The startups should be quick to adapt and be innovative. The business models developed should be able to serve the basic customer.

3. **PROPER ESTIMATION OF FUNDS**
The common problem faced by startups is shortage of funds. They somehow manage to get first round of funding but later when the venture requires more investment, they run out of cash. So, before starting of the venture proper estimation should be done. The consistent sources of funds should be known.

4. **BUILD A DIVERSIFIED TEAM**
The founding team couldn't build an MVP (minimum viable product) on its own. Some of the founders will not encourage others to enter into their business. Their should be enough workforce diversity to increase the synergies skills. A well-rounded team should be formed without any personality clashes.

5. **PROPER MARKETING**
A well marketed product can sustain whole business as seen in the case of many successful ventures. Knowing the target audience and pulling their attention and convert them into leads.

6. **PRICING STRATEGIES**
Pricing is the most important attribute which if set wrongly can be detrimental to the start up. To survive in the competitive market they should adopt different pricing strategies which will attract customers towards their product or service.

7. **CUSTOMER FEEDBACK SHOULD NOT BE IGNORED**
Ignoring customers and not seeking their feedback can prove to be fatal flaws for most start ups. Always pay attention to the customer’s feedback and adapt the products/services according to their needs.

**CASE STUDY1: ZOMATO**
Zomato initially named as Foodiebay was started in 2008 by Mr. Deepinder Goyal. It is a restaurant searching platform providing in-depth details with autonomous reviews and ratings. Foodiebay, the initial name was changed to Zomato in November 2010 to increase their reach among people. To differentiate themselves from their competitors, Zomato concentrated on adding approx. 18,000 new places to eat from. Along with they also decorated many special features, such as pointed to particular dishes or opening times”. To be the largest resource in food supply market, Zomato bought urban spoon, a leading restaurant service providing portal for $52 million to enter US, Canada and Australia to leverage local insights and experience and to expand their business in overseas seeing the future goal and objective.

<table>
<thead>
<tr>
<th>Restaurants listed at end of each year</th>
<th>no. of monthly visitors in million</th>
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<tbody>
<tr>
<td>Year 1</td>
<td>Year 2</td>
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<td>10,000</td>
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<tr>
<th>Revenue growth in crores</th>
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<td>Year 1</td>
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**Vision**
- To expand to more 50 countries
Milestones:
• Number of listed restaurants: in 2008 it was 4000 restaurants which increase to 94000 in 2013 and currently 384,100 in Q1 of 2015.
• Monthly visitors of Zomato increases to 35 million in 2014 which was 11 million in 2013 and 0.015 million in 2008.
• Yearly revenue of Zomato in 2008 was 0.06 crores which increased to 11.3 crores in 2013.
• Spread in 21 countries worldwide.

Success Factor:
• First mover advantage
• Strong content platform
• Efficient employees
• Good rating mechanism and social platform
• Funding from experienced source

Strategy of Zomato: Zomato works with keen interest on various strategies to achieve their goal. It includes
• Financial strategy: To increase their fund and revenue
• Marketing strategy: To tap their customers from across the globe
• Growth strategy: To grow continuously and increase their customers and page traffic
• Globalization strategy: To expand themselves across the whole globe as a leading service provider

Marketing Strategy
• Featured and user friendly website
• Global mobile app
• Focusing on digital marketing channels for potential customers
• Acquire the competitors: To be the largest resource in food supply market, Zomato bought urban spoon for $52 million to enter US, Canada and Australia
• Simpler review and rating system

Integrating other tools in their marketing strategy has given them wonderful hike in their business.
• Sales promotion: Coupons and price-offs
• Direct Marketing: Phone call and direct mail

Investments

In August 2010, Zomato got its first round of funding of $1 million from Info Edge, India. And in September 2011, got its second round of funding of $3.5 million from the same financier. Next year Zomato upraised its third round of another $2.5 million from the same investor and again in early 2013, Info Edge funded fourth round worth $10 million which gives them a 57.9% stake in Zomato.

Seeing the future and growth of Zomato, Sequoia Capital and Info Edge, India in November 2013 funded Zomato with $37 million.

In November 2014, Zomato came up with a fresh round of funding of $60 million at a post-money valuation of ~US$660 million. This round of funding was jointly headed by Info Edge India Limited and VY Capital, with involvement from Sequoia Capital. This made a total funding of over US$113 million for Zomato.

Recently in a fresh round of funding in April 2015, Info Edge, India has invested an amount of Rs 155 crore in Zomato.

Social media Strategy
Zomato uses different platforms to engage their customers with them.
There is a huge engagement of customers on Facebook. Zomato has more than 600k strong Facebook community.

**Twitter**

Twitter is a place where Zomato is sparkling. It has more than 114 k followers there. Used as a conversation platform with the customers, Zomato is doing a great job in engaging their customers on their page. They answers all the queries raised over the platform by the customers.

**Blog**

Sharing and updating with all the latest updates is a key point for any organization. Zomato uses their blog as their mouthpiece to share all the latest updates.

**Pinterest**

The platform shares the food experience with great content to attract their customers. The company needs to do a lot of job to make its followers on this platform which will certainly work in their promotion.

**Instagram**

This platform lets the user share the foodie photographs just by sharing it using the tag # Zomato. The image automatically gets shared on the microsite.

**Success Story**

- The key factor for Zomato success is its marketing strategy and in-depth knowledge of their competitors.
- Zomato aims to be a place where the foodies hangout. The company has spread in 20 countries with its headquarter in New Delhi, India providing service to over 35 million values customers per month. The list of registered restaurants on the website has increased to 384,100 till March 2015.
Facebook, Twitter and Pinterest are the 3 main platforms which made the base for the success of Zomato with a deep presence among their customers.

Zomato has extensively invested a lot over SMO’s, SEO’s and has worked a lot to improve its UI and make it more user interactive. Side by side with a goal to branch globally, they also invest much on TV ads to bombinate Zomato.

Pankaj Chaddah, the co-founder of Zomato said that “ads on the mobile app have changed the revenue game for them”. More than 50% of their total traffic comes from their mobile apps. “Using location-based services to target ads around a consumer’s physical location helps make this decision easier”.

**CASE STUDY 2: RED BUS**

Phanindra Sama, the chief executive officer of RedBus.in, is an engineer who chucked his lucrative job to start an enterprise of his own. It was started in August 2006 with a few seats from one bus operator, RedBus today is one of the most successful online bus ticket booking agencies. Today, it has 700 bus operators, 10,000 buses listed on it, works in 15 states and sells around 5,000 tickets every day.

**The idea**

- The founder Phanindra Sama during his Diwali vacation of 2005 was on the way to his home town Hyderabad. Making the plan in last moment left him with a single option to take a bus to reach his home.
- Phanindra roamed the whole city and looked everywhere for a ticket, but it was all sold out before he reached the travel agents. He then realized some major issues with the then-existing model level agents don’t have all the information regarding all the possible bus operators. This lead to a gap and customers had to take decisions based on limited information.
- Most of the agents were not able to sell return bus tickets.

**GROWTH AND REVENUE**

RedBus started in August 2006 with INR 500, 000 which was the savings of the three co-founders. Operations and all the work started from a room of his house which was so called their office. They keep other parts of the house closed so that it gives them a feeling of working in an office. Three more relatives joined hands with him to help in the project.

When the prototype was ready, they went to the bus operators and tried selling it to them, but the bus operators were not even willing to take it for free. Then they went to TiE, Bengaluru with their business plan. TiE allotted them three mentors to advice on the project.

The first year was not a full year and we did Rs 50 lakh worth of business in the first financial year. There were no profits. Second year till the end of financial year 2008, it was a huge success, the turnover was INR 5 crore. In 2009, the company grew six times and the turnover was INR 30 crore. In March 2010, the company had INR 60 crores turnover.

Today, RedBus has more than 2 Crore users, 30,000+ outlets, 80,000 routes and 2300 bus operators belonging to 24 states apart from road transport corporations of 5 states, and16000 daily uses.

Earlier they crossed 10 million marks in no. of tickets sold in July 2012 and sold of 12 million tickets a year. It has $200+ million Gross Merchandise Value. RedBus has been sold to ibibo group for $110 million.

In mid of 2015, ibibo Group rolled out redBus in Singapore and Malaysia. With this launch, redBus is now available for travelers to book inter-city bus tickets between Singapore and Malaysia, and intra-city tickets within Malaysia.

**Social media Scenario**

RedBus banks upon a radically different approach as opposed to the sector. The brand uses the line of attack as self-promotion. The posts are not aimed at customer engagement as such, since most of the posts are focusing on the features of the brand. The content bucket includes creative with crisp copies, highlighting the benefits and advantages of using RedBus.

The Facebook page has a massive 1,000,000 fans with an average like of 500 people on a post. It also has more than 5000 followers over Twitter. It engages the customers with various offers through the platform. Over its LinkedIn page, the company sees a crowd of more than 24000 followers.

The strong market research on the idea, strong technical background that can be used for the idea implementation, innovative business plan, mentors, aiming for the customer satisfaction, update of the work process and above all the first ever idea to implement in India made RedBus a successful organization.

**COMPANY GOAL**

1. To achieve annual revenue of INR 6 Billion by 2016
2. To reach the target focus on short term strategies

**STRATEGIES**

- To focus on the core business with value added services
- Attract new Traveler and increase customer base
- Increase the network by attracting new bus operations
- Increase the customer retention by increasing customer satisfaction
- To increase the awareness and credibility

**Attract new Traveler and increase customer base**

- Winning the confidence of travelers is important to attract new customers
- Needs marketing efforts to generate nationwide awareness
- Conduct low cost marketing campaigns like viral marketing using you tube, Form informative pages on facebook displaying its services and range, use creative bill boards and hoardings

**Increase the network by attracting new bus operations**
To penetrate the market red bus needs to expand its network of bus operators
Attract new operators by showing them the advantages they will avail
Explain them the benefits by showing the results of their partners

Increase the customer retention by increasing customer satisfaction
Bus lounges for redbus travelers
Travelers will be relieved from extreme weather India.
Travelers satisfaction with the services will help in winning their loyalty
It will also improve visibility of Red bus helping in increasing its awareness
Launch loyalty programs to retain existing customers

CONCLUSION
For any new idea to become successful venture it requires appropriate support and mentoring. At present day, start ups are growing like a grapevine. Indian start-ups attempt to build the start up environment with important education, talent, innovation and incubators with correspondence to funding agencies. Now the govt is also supporting the Start-ups. According to Nasscom, India ranks third in global start-up ecosystem. More than 68% growth is seen in the year 2016. Start-up is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how to do and what to do. Although, entrepreneurs are facing problems but still they are rising like a sun. They have the determination to setup and divert their energy to plan, support and execute their dreams and contributing to the growth of the economy. This new initiative of start-ups pledge rapid approvals for starting the business, easier exits, tax rebates and faster registration for the patents made easy for startups.

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