

Innovation

The Heart Of A Start-up

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the past few months have been very exciting for the Indian venture space. Fuelled by the availability of early stage capital, more and more entrepreneurs are starting their own ventures. This is the engine on which a developed and prosperous India will be built.

Unlike some of the developed countries, growth, rather than invention, drives the Indian venture market. Very often, entrepreneurs are able to spot a concept that may have worked elsewhere, and would work in the rapidly-growing Indian economy. Understandably, the concept risk associated with such ventures is lower, and the premium shifts to execution.

Interestingly, India is a very different execution market, and that calls for continuous innovation in the execution of the concept. What I would term as innovation is incremental improvement in how things are done, connected with being able to derive tangible business benefits. Some of the key areas of innovation in such ventures are highlighted below.

Concept localisation

While the concept may have worked in a certain form elsewhere, it typically needs to be localised significantly for the Indian market. For example, we have seen some businesses built around DVD rentals, based on the success of similar ventures in



the US. As soon as you think of that business, you realise that the concept would work very differently in a market that is rife with piracy. It then requires the entrepreneur to rethink the concept in a local context, and identify a derived concept that will fly here.

Distribution

Most consumer Internet businesses we look at require strong distribution. In the developed world, this comes automatically due to the high penetration of the Internet. In India,

most Internet businesses have had to find alternate channels of reaching the customer. Be it offline centres in case of matrimony, or facilitated usage through travel agents for online travel companies. And after having done all this, most of the businesses are still reaching less than 5 per cent of the market! The envelope on distribution innovation continues to expand in all kinds of consumer businesses in India.

Managing talent

How talent views start-ups in different geographies is very different. The best talent, especially in technology, gravitates towards start-ups in a market like the US. In India, it heads towards large companies. Being able to hire, retain and derive performance is key to the success of start-ups. One of the companies we met, for example, had a system where, over a period of time, they would give their best sales managers an opportunity to be entrepreneurs by becoming franchisees to the company.

Marketing

Often, marketing lands up being the single largest expense for start-ups to scale. In developed economies, media tends to be fairly efficient, and it is harder to identify arbitrage opportunities. In India, media is still fairly inefficient, and we have seen start-ups use this to their benefit. From using the backs of autorickshaws for ads for a low price, to buying the full front page of a leading daily, some of the most innovative thoughts centred around marketing media, and how to make them either efficient or more impactful, have originated from start-ups.

These represent but a few critical areas that start-ups continuously innovate in. Remember, start-up success is as rare an event in India as anywhere else, and the companies that succeed have an ability to identify relevant innovations and put them to practice. **IT**