

BOOK REVIEW

Kashyap Deorah, *The golden tap: The inside story of hyper-funded Indian start-ups*, New

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The golden tap offers an insider account into the evolution of Internet-based start-ups in the country having the second largest number of Internet users in the world, India. The author, a serial entrepreneur himself, deftly juggles his personal experience of working in India, China and Silicon Valley with what he saw around him in the Indian entrepreneurship ecosystem and globally. It offers a detailed account on start-up investors globally, their investment logic and processes they follow. This book serves as a valuable guide for entrepreneurship scholars interested in emerging markets, practising entrepreneurs and for investors.

The book is structured in a chronological fashion, categorized into three sections namely Internet wave (1994-2002), Globalization wave (2003-2009) and Smartphone wave (2010-present). The internet wave firms include the likes of Google and Amazon in the USA and companies like MakeMyTrip and Naukri.com in India. The globalization wave saw the emergence of Facebook and Twitter in USA and firms like Flipkart in India. The smartphone wave constitutes firms like Airbnb and Uber in USA, and their counterparts in India like Oyo rooms and Ola cabs. The author is uniquely positioned to give an elaborate account on all the three periods since he had founded a start-up in each of the three waves. During the internet wave, he co-founded a start-up called RightHalf.com while he was a student at IIT Bombay in 2000 which was subsequently acquired by a Silicon Valley company. In 2007, he started Chaupaati Bazaar, a phone commerce marketplace, which was later merged with India's leading retailer Future Group. He followed this up with co-founding a mobile payments company Chalo which was sold to San Francisco-based restaurant reservations company OpenTable. The author brings out the inside story with a deep personal connect thanks to the network he had from being an alumnus of IIT Bombay and from his early exposure to Silicon Valley.

Kashyap opens the book with a December 2014 interaction he had with Bhavish Aggarwal, the founder of Ola cabs, a leading taxi-hailing application in India and portrays how within a short

span drastic changes in Indian entrepreneurship landscape and mindset were witnessed. It was a period when global funds had started to make big bets in the Indian market, there were about half a dozen unicorns in India, and investors like SoftBank had spent over a billion dollars in a span of two weeks spread across three e-commerce firms Ola Cabs, Snapdeal and Housing.com. To make sense of how Indian e-commerce has reached this state, Kashyap traces the story back to Internet's early days in 1992-93. It starts with the entrepreneurial journeys of Yahoo, Google and Junglee set against the backdrop of Stanford University highlighting the importance of university-based research and start-ups. Away from Silicon Valley, a parallel internet story was emerging out of South Seattle, where Jeff Bezos was building Amazon as a one-stop shop for everything. The intertwined journeys of Junglee, Amazon and Google offers insight into the role of network relationships in Internet-based start-up space. The first section of the book also details the entrepreneurial journey of RightHalf.com, a marketplace for creative ideas. The dot-com bust of the 2000s, coupled with the interests of a lead investor led to RightHalf.com being sold to Silicon Valley-based firm PurpleYogi.

The second chapter of the book tells the personal story of how Kashyap went through five stages of grief as he had to come to terms with being kicked out of the company he created after its' acquisition. For young entrepreneurs, this offers an experience of going through the ups and downs of an entrepreneurial journey.

During the globalization wave, Kashyap draws from arguments of Friedman's and Thiel's works (*The World is Flat* and *Zero to One* respectively) to point out an interesting shift that happened with regard to India's contribution to the world of technology. It had moved from Friedman's outsourcing during the internet wave to Thiel's concept of 1-to-n globalization. During the internet wave, India was the world's back office, with companies like Infosys, Wipro and TCS becoming large multinationals. However, in the globalization wave, investors placed their bets on entrepreneurs who could replicate, implement and scale business in the

Indian market based on technological innovation available in the US market. In the fourth chapter, background details of all the major VC/PE and hedge fund investors in India like Tiger Global, Digital Sky Technologies, Napster, Softbank and Rocket internet along with their investments and investment logic are offered. This helps to understand the thought process that goes behind the global *this-of-that* Internet investments, the push for hyper growth and fast cash burn in Internet-based start-ups.

The fifth chapter narrates the story of Kashyap turning entrepreneur again with the founding of Chaupaati Bazaar, a phone commerce marketplace. The ideation process that went behind this start-up was interesting. Drawing inspiration from the significant mobile penetration in India in both urban and rural areas, which was around 200 million mobile phone subscribers in 2007 and growing at 50% annually, Kashyap identified an opportunity for developing a phone based marketplace that would link the 93% unorganized sector market in India with potential customers. In pg. 93, a deep insight into the Indian consumer is offered ‘In India, the rich seek experience (exotic destinations, slums, etc.) and the poor want escape (daaru - local booze, beedi – local cigarette, gutkha – chewing tobacco etc.). Everyone else in between, which is all the consumers you will build the brand for, have one want – aspiration. They are all climbing this invisible ladder of aspiration.’

A couple of interesting aspects characteristic of Indian business gets revealed in the manner in which Chaupaati Bazaar got merged with Future Group. Firstly, Kashyap and Kishore Biyani (Founder and CEO of Future Group) were both from the same business community *marwaris* and hence had a strong understanding between them in the merger deal, more than what was said in words. Secondly, the actual deal making happened in the presence of a third party who was close to both Kashyap and Biyani, an Indian way of underwriting the risk of default in the deal.

The third section of the book which focuses on the smartphone wave offers an on-the-ground report of how e-commerce boomed in India, what issues they faced and the backlash with brick-and-mortar stores. Since Kashyap was associated with Future Group (which owns a big brick-and-mortar chain *Big Bazaar*) at the start of smartphone wave he was able to convey why the large brick-and-mortar stores had begun to decline in the face of large global funds chasing the Internet entrepreneurs. The policy uncertainty in India around foreign direct investment in multi-brand retail, high levels of debt, locational and cost advantages of unorganized retail, and high real estate cost made it difficult for offline retail to raise money and scale up. On the other hand, e-commerce start-ups struggled with unit economics as they chased hyper-growth through heavy discounting with no policy regulation curbing this practice. Many of the e-commerce start-ups circumvented the policy regulation around raising of foreign investment by moving their headquarters to countries like Singapore. Kashyap aptly illustrates a poker game being played in the Indian e-commerce space between Tiger Global (investor in Flipkart), Softbank (investor in Alibaba, Foxconn, Snapdeal) and Amazon.

The seventh chapter details Kashyap experience with his third start-up Chalo, a mobile payments service for easy transactions at restaurants. Their idea was suited for the US market and got acquired by OpenTable soon after the beta version of the product was developed. In the last couple of chapters of the book, Kashyap offers his prescriptions for improving the ecosystem, and also compares the Indian ecosystem with that in the USA.

In face of the current turbulence in the Indian e-commerce market, one of the biggest takeaways from this book is the highlighting of flaws that had sneaked into the ecosystem. Most of these businesses were mere replicas of firms in the USA with little innovation on their own. Investors were willing to throw in their unlimited money behind IIT graduates. These entrepreneurs considered investors as their markets rather than customers, moving from one funding round to another. The push for hyper growth led to heavy discounting and fast cash burn with a lack

of focus on unit economics and breakeven. There was very limited accountability which translated into corporate governance issues as in the case of start-ups like Housing.com and Foodpanda. An exception to this norm was the case of Zomato, which continues to do well. They did not raise investments from the global *this-of-that* investors, used their funds for expanding globally rather than on marketing and discounting, and focussed on customers rather than on investors.