Transcript – Prasanna – Upekkha

Krishna Jonnakadla 0:02

This is Maharajas of scale, a podcast where we go behind the scenes and talk to founders who are demolishing the myths around building and scaling a big business in India. These are the stories that have shattered the assumptions around Indian consumers and are changing the game completely. I am Krishna Jonnakadla, serial entrepreneur, co founder of FLIT, the fashion locator in town and start up mentor bringing you these stories. Hey listeners, we have a very interesting guest this afternoon. This is Krishna as always from Maharajas of scale and today we are taking a slight deviation from talking to a founder and talking to someone who's actually focused on founder transformation. We are talking to Prasanna Krishna Murthy of Upekkha, which is an organization unlike any other that we see in India, we see a lot of mee too's in India. But what Upekkha is doing is truly fantastic. Prasanna welcome to the show.

Prasanna 0:59

Hey, thanks Krishna for having me on the show.

Krishna Jonnakadla 1:01

Awesome. So Prasanna tell us what are you working on? And how does Upekkha stand out in the Indian funding space?

Prasanna 1:09

Sure. So, very quickly, Upekkha is a catalyst for founders. What we do is we help founders, especially of SaaS companies, transform their mindsets, transform the way they build their businesses, and help them get to meaningful financial outcomes for themselves, their employees and their stakeholders.

Krishna Jonnakadla 1:32

A couple of years ago, maybe three years ago, I used to see anybody and everybody start an accelerator or an incubator, anybody that had some free space, you know, would put 20-30 seaters together, call them incubators, call them accelerators. And for the world of me, I used to think that most of the mentorship that you got there was suspect. I don't know how many, what sort of credentials many of them had but when I heard you speak earlier this year at a startup leadership programs event, I thought you were a breath of fresh air, what actually drove you to start Upekkha? And why did you come up with this catalyst model?

Prasanna 2:15

Sure. So I'm going to answer that in two parts. Right. So one is I'll explain the model a little bit for context. So what we do is, we are outcome based in the sense that when we work with founders, we take outcome based revenue share and outcome based equity, and a small upfront equity as well. But most of our reward actually comes if the revenue outcomes on it. And this is a two year kind of revenue outcome. So this revenue outcome basically ties us very closely and aligns us with the founders. Right. So that's the outcome based model that we're doing, which I don't think anybody else is doing. So now, I'll come back to the first part of the question, which is like, why am I doing this. Why are we doing it? So my startup journey has been from 2005. So I was working in a very small startup called Elina. And then Elina. We had some of the very best advisors in Bangalore at that time. We were building a network security hardware business. And well, it was a very early and wrong time to be building a network security hardware business out of India. Very tough times. Right. The advisors we had were really smart, very accomplished, folks. Unfortunately, a lot of the advice they gave us was exactly opposite of what a startup should have been doing, because most of them had corporate experience, but not startup experience. Then I went into my own bootstrap startup where we came to about 30,000 pounds in revenue within the first year, just me and my co founder with a few contractors. And the interesting thing looking back now is we were a fully remote company from day one. My co founder was based in Hyderabad, I was based in Bangalore, and everything we will do online completely hundred percent right from day one. And we add one more like few more contractors, designers, UX folks, developers, everybody was the moderator. And today it's like, so funny that from 2011 to 2020, now I am again fully remote. But coming back to that, so that startup as well, we got to enough revenue, but we didn't make enough to retire isn't. So then after that he joined Amazon as a product manager and then I joined the Microsoft accelerator to help with product and growth. So for about three years, I helped 120 startups in the Microsoft accelerator, the Reliance gen next accelerator, in the Ashoka innovation accelerator in New Delhi, and in the ISDI accelerator as well. And what I realized is that in SAAS, there is a huge space for somebody to build a very different program and building a very vertical focused program would help me provide much deeper, much more tactical support. And more importantly take on a very specific outcome as well as a goal, which would align us. What I mean by that is if you work with both b2c and b2b startups, it would be very difficult for us to define the outcomes itself, because they would be so different. But by taking only b2b SaaS startups to start with, we were able to define outcomes for all the startups very simply as a monthly recurring revenue and use that as a aligning mechanism between the founders and us. And therefore drive a program for two years plus, so we think of it as a dual degree program two plus two years, where we are aligned towards the long term objective of the founder as well, which is how do I make a lot of revenue that is profitable revenue, and how do I make or how do I have high founder ownership of that, which means I have to be capital efficient. And if I do that, and if I can get to a 10 million in revenue, then that's a huge amount of wealth created for founders and employees. So that was the kind of motivation behind starting Upekkha. And which led us to, you know, three years ago to start with it.

Krishna Jonnakadla 6:22

So presented, that's awesome. I very rarely get to hear or most of us very rarely get to hear of outcome based contracts anywhere. Most contracts are paid to play practically across the world. And being revenue aligned and taking a share of the revenue is a very bold move. I'm certain that it was not necessarily Well, it sounds audacious at the outset it it's possibly a calculated move. Peel the onion a little bit. What sort of equity do you take? What sort of money do you put in, delve a little deeper and if you're actually aligning yourself towards revenue, you must be actually making sure that you have a good chance of making it. So dive a little deeper, please.

Prasanna 7:08

So we take different parts, right? different different pieces of our income as we see it right from the founders. And it's four different things actually. So the way we look at it is there is some effort we put in, there are some frameworks that we bring in, then there is a risk that we are taking along with the entrepreneur. And finally, we are saying, hey, there's a tribe and a community that we have that we're bringing into this picture. And if you are aligned on the risk reward of all of that, then everybody is going to be pushing in the same direction. Otherwise, what happens is that if a stakeholder is only looking at their piece of the equity, and that part is a zero sum game, then it doesn't work out well, in terms of alignment, right. So first, we don't put any funds per se. The reason for that is Pallav Nadani of Fusion Charts. He recently sold his business, he's a mentor. So one of his challenges to me before I even started this was, look, if you're giving money to people, then a lot of founders will come to you for the money, how you are telling me that you have a program that can help people get to product market fit and help people get to a million dollar era? How do you know that the program is actually working? versus the money is actually working? How do you know that people are coming to you for the program and not for the money? How do you prove your own product market fit? This is a question that he asked me. So that was very interesting to me. So second, part of the question that he asked me was, if you provide money as a program, what happens is you end up providing that money at a very low valuation, because that's how you know the program makes money saying, I'll give you the low valuation, but I'll help you improve the valuation. So what he said is, essentially, you're competing with the angel investors. So instead of competing with angel investors, how can you compliment angel investors? So can you think of these two things and come back with what you would do. So that was a challenge, which basically led us to become outcome focused, right and outcome aligned. So what we essentially do is we take 1% to 2% upfront equity based on this, based on where the businesses, and then we say, hey, in two year kind of timeframe, or a three year kind of timeframe, based on your current revenue and your current growth, what revenue targets would you pick up over the next two, three years? And because we've now seen more than a few hundred b2b startups, and we've now you know, what actually looked at the data within our own tribe of 450 Plus, b2b SAAS startups. We know what growth rates are feasible and what growth rates are possible and what growth rates are very difficult and so on. Right. So we take those growth rates and we essentially pick up different growth targets. So, I'll just give you a hypothetical example, brainstorm. Let's say that the startup is coming in at $100,000 in annual recurring revenue. And so for a company at that stage, and let's say they're growing about, you know, they're doubling every year, right? And again, I'm just randomly saying that right, so let's say they're doubling every year. Now, for them to get to $400,000 revenue in two years, by themselves, they will be able to do it. If they just double, twice more, is it easy to do that? No, it's not easy to do that either. Right? If they triple every year, then they'll get to $900,000. Right? 200,000 to 300,000 and then 300,000 to 900,000. That is very, very hard to do. Most startups are not able to do that. So the statistic is that in SAS startups, less than 5% of SAS startups have gotten to a million dollar plus in revenue, right? So if they're able to get to somewhere above $400,000 in two years, and get to the close to a million dollar mark. And here is the more important part. If they can, as they get close to a million dollar mark, if they're able to double at that scale, then they're in really good shape. So if you know the, you know, the historical trends for public SaaS companies, anybody who's been able to get from a million dollar revenue to $10 million revenue in four years, is considered really, really good, right? So if they're able to get to that in four years or less, then that's a huge accomplishment. So what is the baseline for that for that they need to get to a million dollars, and then double after that. So our goal is to help our startup get to a million dollars, where they are doubling. Now, if somebody comes to us at 50,000, then those targets have been accessed, somebody comes to 200,000, then the targets will be more, but that's how we align the target. So between those targets, our goal is to earn 9% of equity from every startup. So if they hit the right targets that we both agreed to, us and the founders, then we will learn 9% of equity.

Krishna Jonnakadla 12:03

So that means the startup has to have achieved product market fit by the time they are in your cohort.

Prasanna 12:09

No. So we don't consider typically hundred thousand dollars as a product market fit. It is more more like a step towards product market fit. The reason we asked for we only work with startups with some initial revenue is because that brings data of what the customers do with the product without which it's very hard to iterate. Product Market Fit is a very ill defined thing, right? And we have a framework to define that better. But for the purposes of this conversation, the way I would define it is you are able to predictably scalably grow your business month on month, quarter on quarter with the same product with one product with the same type of customers with the same type of channel. And you know, how many dollars, people, time, money, effort, whatever it is that you need to investigate the next dollar of revenue, that's how we think about product market fit. So I give a different analogy here, right? So let's say you're an entrepreneur, and you're building a printing machine, and the machine can print $1 of profit. And to build that machine, you borrow $1. Now, if you borrow $1, and it prints $1, of profit, who does that machine belonged? Let's say you're, again, an entrepreneur, and you built a machine which can build, which can print $6 of profit, or $10 of profit. And again, you're borrowing $1 to print build that machine. So which one is a better entrepreneur? So if I think about the scale of an entrepreneur, obviously the second entrepreneur who borrowed $1 and built a machine which can print $10 is a more skilled entrepreneur than the first entrepreneur who borrowed a dollar and printed built a machine that prints $1. Right. So for us product market fit in the SAS context is can you get to a million dollars quickly and at a million can you be doubling. While having taken less than 250 K of investment of any kind, right? If you do it that way, then you as founders will end up owning 80% of the business. Right. And then that sets you up really, really well to get to 10 million and above, right? So somebody at $100,000 has evidence that the product works to solve a problem for someone that they need to pay for, right? But going from there to a million dollars efficiently is a completely different ballgame. And a lot of times what founders make

Krishna Jonnakadla 14:30

the scale angle.

Prasanna 14:31

it's not even scale, right? This is pre scale. For me 1 million to $10 million is the scale kicks in right now hundred K to 1 million is where you're proving that your product actually has demand beyond the first few customers. Right. And a lot of founders the mistake that they make first 10 founders is they take too much capital before they've proven to sell and they've diluted too much let's say they've diluted 30%-40% you know and in India there are lot of sharks, so they might have even diluted 50%. By the time they get to this hundred K, right, and the problem there is even if they then built that printing machine that prints $10. Yeah, right. They don't own a lot of it. Right? So then the economics of the whole thing, go back, right? So we think about product market fit as, can you build that scalable, sustainable machine, where you have a lot of ownership, because, for us, actually, the goal is financial outcome for founders, not just like financial outcome for the business.

Krishna Jonnakadla 15:31

So let's do a little more of a deep dive into that product market fit. I've seen you articulate that multiple different ways. Your Online blog also has a pretty exhaustive outline, Product Market Fit it comprises a founder market fit, problem solution fit, product solution fit, stuff like that. But the first time I heard you talk about founder market fit, I winced a little and I'll tell you why. Because for a long time until the Flipkarts and the you know, the Paytms arrived on the Indian scene, Narayan Murthy, he's done a tremendous job was the poster child for, you know success right in tech industry a lot of people would look up to him. And then there was this notion that you had to be a techie in order to build a tech company and time and again, we see that a lot of a lot of times, people that have built something meaningful, something big, did not necessarily have expertise in that background or in that industry. Right. You and I have debated how the Airbnb guys did not necessarily come from the hospitality industry. Right. But I suppose the angle that they finally landed with, you know, had some, I guess, Hyatt or Hilton would never have had a great experience in that bachelor's air. You know, air bed and breakfast and why All these Airbnb guys would not have had expertise in this. So I think you and I are possibly saying the same thing, but you have also explained it, so go do a little deep dive onto the product into the product market market fit topic. It is one thing. We've heard many versions of it, but I love the amount of clarity you bring to it.

Prasanna 17:20

Sure. So we break up product market fit into four pieces, founder market fit, problem value fit, product solution fit and market scale fit. The reason why we break it up is typically product market fit becomes a very amorphous intangible thing, and it's not actionable. So if I tell you, you know, you should fall in love, it's very hard to action that right? versus and the same with product market fit. I'll say get product market fit and you'll be like, Okay, what do I do next? And there's no easy answer to that. So, what we broken it out into is from the founder market fit. Essentially what we are saying is Hey, Do you have something in this space than others don't? Do you have a skill? Or do you have a network? Or do you have a background? Or do you have a deeper understanding of the space? Or do you bring a fresh perspective to the space? Right, whatever that may be, or even a conviction about that space, or, you know, something that you're doing that's different about that space, something that you have in that space, that others don't, is very useful to have, right? And the other part of it is also, what are you good at? So a lot of times, and this is the like, more of a apocryphal kind of thing, right? I know, people who work for 20 years and say, an enterprise company, let's say Intel, right, designing chips their entire life, and they come out and then they're like trying to build a B2C, Mobile app, which is a game of some kind, etc. Right? And so the skill that you need for doing that it's completely different. And it's just very hard to make that kind of a transition work, especially if they've never been an entrepreneur before, and they don't understand how to make it work. So founder market fit is about, it's about being able to align with the needs of the customers in that particular space that you are picking. And do you have the skills that can make that happen? And it's not just that founder, that single founder has to have all those skills, right? So you can be that person who has been designing chips for 20 years, and come out and build a b2c gaming app. If you partner with somebody who understands games, or if you partner with somebody who understands how to market games, then it works. It might still work. The mistake is when people think that their skills are transferable and they're really not. So founder market fit is about picking the right battle that you are suited to win rather than picking a battle where you have no advantages whatsoever because entrepreneurship is difficult in and of itself. Or you say I don't have the skills but I'm good learn these skills. And that's also fine. But then budget enough time and budget, enough cost to learn those skills and do those skills to be able to do those things, right. So either you have the skills from your previous thing, which is great, or you hire people or co founders who have that skill, or you learn those skills, but you can't build startups without having those skills. So that is founder market fit. And the second one is problem value fit. So most founders, especially early stage, founders fall in love with a solution. But the real value is in the problem and solving problems and identifying what problems exist in the world. And the sad irony is that if you pick a problem that's worth only, you know, $1 if it's solved, unless that problem is there with literally billion people, you can't build a $10 million business unless you're able to sell the solution to that problem at a cost of less than five cents or 10 cents, you can't actually make a profit of a few million dollars from that. So the mistake that people make is they pick problems that are not worth solving. And they end up building models, which cost too much to even sell that solution to the problem and end up, you know, not having either a large problem value or cost effective way to solve that problem, right. So that problem value fit is what we look at next and help founders. And the other side of the coin is that the problem domain is what is much more important to founders than the solution domain. What I mean by that is, if you pick a particular problem, there are many, many ways of solving the problem. And some of those ways of solving those problems are actually very quick, fast and cheap compared to other ways of solving the problem. But founders who fall in love with the way they solve a particular problem, they get stucked in that way, without realizing that maybe a competitor or maybe somebody else is doing it in a much better way, right. And the other thing that people will realize is if you fix, if you just, you know, iterate through a particular type of customer, wherein a particular type of business, you will realize that the same person has a problem, which is worth $1, which is worth $10, which is worth $100, which is $1,000 might even be worth 10s of thousands of dollars, right? It's the same person, and you're talking to that person. And because you're in love with a particular solution, you might be trying to solve their $1 problem, versus the same person might be able to pay you $10,000 for solving a different problem that they have. But you are not in the problem mindset. So you don't ask them, Hey, what are the problems you have, that I can solve for you? Right? And that might be a better path to actually building a scalable, sustainable business. And so that is one of the things that we help founders with this, get out of the solution mindset. Get into the problem mindset identify the value of those problems that you are already solving. See if there are adjacent problems to those or for the same founders see if there are other problems that can be solved, which can have much higher value, and then solve the problem. So that's the second one problem value fit. Third one is product solution fit, which basically means whatever you have built, you think it's solving the problem. Have you actually checked with your customers that it solves the problem. Can you make sure that it's also a problem quickly? Can you make sure that it solves the problem in a way that the feels magical to the customer, and in a way where the customer happily recommends your product to others, right? So a lot of times people don't do that really well. So product solution fit is about how you solve the problem. How well you solve the problem? How quickly you solve the problem, and how you're able to help your customer feel delighted and feel a wow moment in terms of solving the problem. Can you measure all of that? And as an outcome of that, can you make sure that your customer is ready to refer you to more customers, can your customer become your salesperson and get you more customers. So your solution to that particular problem has to be so good that it helps you get all those things. Right. So that's a very different level of outcome.

Krishna Jonnakadla 24:16

Very interesting. So the socratic method is directly antithetical to the binary method that we all usually hear of you either have product market fit, or you don't. And then when you start actually building as a founder, anybody that's built anything meaningful realizes that it's usually an evolution.

Prasanna 24:38

Yeah. So the fourth part of it right, the so the fourth part of the breaking down of product market fit for us is the market scale fit. And what we are basically saying is, look, depending on what kind of founder you are, what kind of business you want to build, understand what's really you want to get to. It's perfectly fine if you are like sitting in the middle of nowhere and say, you are in tier two city in India, if you built a million dollar revenue business, if you build it efficiently, you might be making like a couple of hundred thousand dollars to $400,000 in profit every year. That's like a really, really cool business. Right? And if you're growing at 20-30% year on year on that, that's you are profit making more money. So, understand what scale you want to achieve. And once you understand what scale you want to achieve, understand how many customers you need to have at a given problem value to be able to achieve that. So what does that mean? Let's say you are solving a problem which is worth $100,000 per year add to your customer and therefore the customer pays you $10,000 a year. So now if you want to get to $10 million, then you need 1000 customers. So you have to find a, you have to be in a niche market which has at least few 10s of thousands of such customers for you to be able to get thousand such customers who will pay you $10,000 each for solving a problem for them which is worth $100,000 per year. So now, that automatically starts, you know, helping you figure out, hey, what should I do? Which market should I pick, etc, etc. But a lot of times it also helps you navigate saying, Hey, I'm solving a problem, which is worth $20,000 for this customer. So they're paying me $2,000. Can I move to solving a problem that's worth $50,000 for the same customer, so they'll pay me more, things like that, right? And the market scale also tries to see if there are network effects within that market for that particular problem you're solving and if those are there, how do you piggyback on that? And how do you take advantage of. So when you combine all these four, the approach that we use also is different from usual approaches. What we say is look, the point is not to try to achieve higher problem value alone. The point is, there are a set of questions that you have to answer around problem value. The specific answers are not very useful, but in seeking to answer those questions better and better over time, your product market fit improves. So this is the socratic method. So what we do is we provide these questions and serve as a, as an advisory board or as a, you know, a bouncing board for our founders, for them to tell us, hey, my answer to this question is this type, and this could be us or this could be another peer founder. And when you create an answer to that question, and you tell it to someone, and that person can then reflect back to you saying, is this a good answer or not a good answer? Or you need to get better at this answer, then that process of figuring out what do I need to do to get a better answer to this question, makes a founder think and when they start thinking, they start figuring out how to get those answers. And that iterative process of figuring out better problems, figuring out better solutions, figuring out better market segments, making sure that you have the skills to address that and keeping on doing that iteratively is what helps improve product market fit overall, right. So it's not that one of these questions is, what will drive or something like that it's that process of as a founder understanding that I don't have great answers to some of these questions. And what do I need to do to get better answers to these questions over time? And can I build a process that will help me get better and better answers to these things every day. And if I can put that process into place for my business, then that becomes an incredibly valuable business that I'm building because the market itself changes. And when the market changes, if you have a process to find a better product market fit, then in the new market, you will find a better product market fit. So that process is what is important. The seeking better answers is what is important. The specific questions themselves or the specific answers themselves are not as important because they change over time.

Krishna Jonnakadla 28:53

Right? You don't really just boom, make it and it's a compounding effect of many, many many tiny decisions. So let's switch gears a little bit and talk about your own playbook. What do you do with your startups and the cohorts? Because it's very interesting, you don't really usually hear of founder transformation, the kinds of things that you guys work on. Is it that the conceptual understanding of the founders change, you make them into better leaders? What exactly are you working on there?

Prasanna 29:28

So our playbook is follows in many, many ways, right? What we ourselves, talk to and tell others. So our first seeking of our own product market fit was to say, Hey, you know, I'd be solving a big enough problem for founders, right. So from the founder, market fit perspective, if I give you if I tell you, I literally work with 120 founders 120 startups, many more founders in that I did about 10 or 11 batches of startups in different programs. So I had that background. And I have done software product companies in the past early stage startups in the past. So I had that domain expertise, and that is my founder market fit, right? The second part of that is the problem value fit. So if we take a founder from $1,000 a month, to $100,000 a month, right? At a $100,000 a month, they are essentially let's say, a million dollars a year, they're essentially worth $5 million as a business, right? If you take a very conservative five, it's kind of a multiple. Now, that is a substantial amount of value that we're creating for our founders. And if you take the same 10% kind of a thing, if you're taking 9% for helping people succeed in doing that, what we're saying is, Hey, will you pay me $5,000 if I help you get to $5 million of value. So that problem has a high value. And it's a upside value is high. So we say hey, can I get you to $10 million of revenue, and the problem has even higher value. So I'm attacking a problem which has very high value. Now the third part of it is the product solution fit. And that's where we provide solution. For example, saying don't give money, help us understand whether the solution we're providing actually solves that problem right, is the product that we are building, which is a program is actually solving a problem. So in that context, how do we measure ourselves whether the solution is working or not working? Right. So there, we very closely track the revenues of all our startups month on month. And the first cohort of startups, all four startups that came into the program, all four are surviving, all four are thriving, all four are month on month, cashflow positive. And this is after essentially, two and a half years with us. It's going to be about three years with us. They started in May of 2017 notes, April 2017. So in those four startups, they joined us at about $10,000 a month to about $30,000 a month. Today they are between 75 to $70,000 a month to $300,000 a month. So they've grown seven x to, you know, almost 20 X in the 30 months to 36 months that they've been working with us right. In the second batch of startups, again, six startups. Out of the six startups five are cashflow positive. All six are surviving the sixth one is still like neck and neck. But five of them are like cashflow positive, comfortable growing out of the six startups in the second cohort, we are very confident that four of them will hit a million dollar. I mean, without COVID they would have been $10 million dollars in the next say quarter or two quarters. So out of the first 10 startups that we work with, we were confident that without COVID seven of them would have hit a million dollars or higher in annual recurring revenue working with us, right? And none of them have died. So that kind of a track record basically tells us that, hey, whatever we are doing is working. And these are people who have been to other accelerators in the past. They've been to programs like finder startups in the past, various different things that they've been through. And the second part of what I said in the product solution fit is can we get referrals from them. So all of them have given us a reference. All of them give us amazing referrals. They go out and convince people to join Upekkha. Because what we are asking founders is a lot we are saying, hey, believe us, work with us in an outcome oriented fashion. And but we are asking for serious amounts of equity right. Now when we're asking for a 9% equity, right, founders will obviously have a lot of questions in their mind. And literally, there is nothing that I can say to people that you convince them to join us. But when the founder says, look, this program actually helped, it worked. And not just one founder but 10 founders say that or 20 Founders say that or 30 founders say that. That is what helps us get new founders to join us, right. And so today we have 48 founders, sorry 48 startups and 101 founders working with us. So that means that the product actually works. And people are happy enough with the product that they are going out and getting us more startups to work with. Right. So that's the product solution fit and the market scale fit for us. If we are looking at it the original goal and continues to be the goal because of the COVID situation we don't know how it will be affected maybe here or there. But in 10 years from 2017 to 2027 we wanted to help 1000 founders, thousand startups, help get to a million dollar plus mark. And three years ago when I told us to people who are asking me hey there are thousands SAAS startups in India that can be a two million dollar. This year at one of the SAAS events in Chennai, he says to me, there were 400 SAAS startups there, right? So that question of, can we touch scale is no longer there. There are 10s of thousands of SAAS entrepreneurs worldwide. And because of this COVID situation, we have gone fully remote as well. And so we are going to be probably working with SAAS founders around the world. So for us to get to 1000 SAAS startups in the next seven years, does not look impossible, right, looks quite feasible. So that's how we, we break up our own product market fit using the same framework.

Krishna Jonnakadla 35:44

So let's delve deeper and talk about the tactics a little bit. What sort of scale stories or playbooks are you seeing, you do have a wide variety of startups in your portfolio? What before and after in terms of tactics and methods and strategies are you seeing them employ, we all hear of the general usual playbooks of Google AdWords and then inbound marketing, inbound funnels, all of that stuff. But growth is not a one size fits all tactic. Right? Each one of them needs a unique. So what are you seeing? What are some examples that you can talk about?

Prasanna 36:18

Sure. So before that tactic, right, I'll just go a little bit abstract into the into what we believe is very critical in SAAS, which is building a flywheel. So flywheel for those who don't know, is an energy storage device. And initially, starting a flywheel is very hard because it's like very heavy and very stiff. So you keep pushing it, pushing it pushing it, it doesn't look like it's even moving. Once it starts moving, though, it starts picking up its own velocity and momentum and adding more and more velocity and momentum becomes easier and easier. Right. So SAAS is a flywheel and what is the flywheel right in SAAS. In SAAS it's about getting new customers, and getting those customers to pay you more and more over a period of time. So what they should be doing is, if they paid you $1 in month one, by month 12 they should be paying you $2 or $4 or $10. And if you got a certain set of customers in month one that all those customers put together, let's say they paid you hundred dollars in month one. by month 12 all those customers come together should be paying you $125 and $150. Right. So this is the first part SAAS flywheel. Second part of the SAAS flywheel is every customer who is a good customer of yours should get you one or more new customers. And what we believe is founders are able to build products in markets where this is possible. Then everything else feeds into this flywheel. And this flywheel for SAAS is based on what Amazon has, as a flywheel. Right. And the Amazon flywheel for those who haven't seen it, go search for it. It's absolutely brilliant. What it allows you to do is abstract out what are the critical parts of that flywheel for your business? For you to have such happy customers, then they pay you more and more over a period of time.

For you to have such happy customers, that they get you more customers more over more and more time, then what do you ask in terms of tactics, for getting new customers to know about you, or for getting your existing customers to pay you more, or for getting more referrals from your existing customers, these all become very, very specific to the type of customer that you like. What that means is, if you're going after a mid market or enterprise, the channels and the tactics that you will use will be very different from if you're going after SMB and $100 per month kind of sets, right? So, just very quickly touching on some tactics. When if you're going after mid market, LinkedIn is very critical. But the way you do LinkedIn is much, much more important than just doing intellectual. I see a lot of people just posting on LinkedIn randomly, a lot of stuff, and they won't get that kind of same kind of an outcome. What is required on LinkedIn is very, very tailored, very, very specific, very, very crisp, very, very actionable messages to the right audience, build that in a very authentic way. Get associated with that. And it's not enough if one person in your company is doing that every employee in your company must be able to do that. And whoever has been able to do that get all their employees to represent them extremely well on LinkedIn, they do much, much better than others. So for example, one of the companies in Cohort One, iZooto, another company called Tars. Both of them do an absolutely fabulous job of this and therefore the surface area that they've created on LinkedIn is 100 times more than somebody else. Some many other companies that I've seen, right, and they get a ton more leads on LinkedIn and others. Similarly company called Interview Mocha in Pune uses LinkedIn really, really well. They've been able to hire some top class talent, they've been able to get some really good leads from across the world fortune 500 kind of companies to come to them on LinkedIn, because of the content that everybody in their team puts up, not just the CEO, not just marketing kind, of course.

Krishna Jonnakadla 40:20

So let's take one aspect out of this. What you just said right now, the growth aspect, when we talk about tactics, many of this really is related to how founders think about growth. Right. And funnily enough, barring maybe a very handful of companies, I don't think growth is discussed as much in India, or even a topic that a lot of founders are even, you know, thinking about when I see pitch decks when I see products I usually see almost no thought in the founding team. Some of them have great products. But growth is not even an afterthought. So when you reference iZoota, Interview Mocha, when they use LinkedIn, it is definitely possibly I'm guessing it is part of some growth playbook that they're implementing. If we see the very successful, even the very successful Indian startups, personally, and this is a personal opinion, I don't think have implemented growth playbooks, the way many of the Western ones have done. So for example, if we take some well funded ones, slack and all these companies or stripe, they have implemented growth playbooks. You know, Facebook has implemented growth playbooks, notwithstanding the gigantic amounts of money that they've taken. But if we think about the times before they raise those drastic or big sums of money, they are all implemented growth playbooks very, very consciously, very, very effectively. Do you see that? And when I so, let me dig a little deeper. When I say growth, what it means is that the founder or the co founder, one of them, if it's a startup personally has growth on their mind because everything else, building a product, building UI building, tech, all of that, you know, every startup does. But one significant area that startups don't seem to be taking efforts to direct their attention to is growth. Would you agree with me? Are your startups any different?

Prasanna 42:40

Yeah. So I think we have to unpack that question a little bit, right, because growth itself is a very intangible thing. It is very hard to say hey you get growth, do I have growth? So it becomes very difficult to even have a discussion, I don't know because I don't know what necessarily you mean by growth versus what I mean by growth. So let's just unpack that a little bit. So for me, if I unpacked that, essentially, the only look at product, tech product startups, the primary lever for growth for almost all of them will be the product itself. And that's where if you don't solve the right problem, which is important enough for people, if you're not solving it in a way where people go, wow, this is mind blowing. And I'm going to tell 10 other people about it. If you don't have those two components, then the whole lot is lost. Right? After that, if you're trying to add on growth, it's very, very difficult. It's very expensive. So it becomes very capital inefficient. So what that means is, if you want to add on growth to something that's kind of mediocre, then it will cost you much more in terms of equity and the founders ownership gets diluted substantially. So even if you take the example of Airbnb that you gave, or Facebook that you gave, the interesting thing is in the beginning, the vital growth that they have got was actually before they raise funds and before they even did things around growth as a concept, but more around hey, how do I get more people to use my product? How do I get more people to be happy with my product? So in the Airbnb case, what actually happened is they figured out six or eight months after they graduated from Y Combinator, they figured out that the listings that had very good photos, those had a higher conversion than the listings and didn't have very good photos. So they became photographers took photos of all the apartments started figuring out that started getting a lot of conversion. And that was one of the triggers, which actually increased their growth a lot, a lot right. Now, is that a growth thing? Or is that a product thing? Or is that a operations thing? That's a label, right? But they are thinking about how do I get more usage? How do I get more people to become customers, right? Is that they're in Indian customers. They are Indian startups as well, Indian founders as well, absolutely. People are trying to think how do I get more customers? The challenge is that the tools that they then used is very limited. And many people just putting themselves into a box saying, I'm a sales guy. I'm going to sell this. So let me talk to more customers to sell what I have, right? So this again, comes back to the problem value. So I've created a hammer. Now I'm going to sell hammers, irrespective of whether you need a mixie or a light bulb or a bottle or something else. I will sell you a hammer. How will you be able to sell that effectively at scale, you may not be able to sell that effectively at scale. And that's where people get stuck. Right? So in Indian founders, a lot of times I see that, that solution mindset is very fixed. I've made this It's amazing. I'm going to find out who to sell it to versus figuring out Hey, what is that person's problem having that empathy saying, oh, if people want to stay somewhere If they're able to see better photos of that place, and they're more likely to move that place to go. Right, so that is one part. The second part is a lot of the growth framework stories from the US, right? A lot of them are actually apocryphal, when others have tried to apply the same growth playbook, they have not necessarily worked. So I don't think there is one growth playbook per se, overall, right. But if you pick only DTC businesses in direct to consumer business, or e commerce business, or if you pick only SAAS businesses that sell to enterprise, or if you pick be only developer focused SAAS products, then growth playbook become possible. Right? It will still not be 100%. But there are ways of figuring out for this set of customers what is important, and develop more empathy for them. Find the channels that they use to buy products, piggyback on some of the distribution channels that are there in goes to those customers and you know, try to iterate on that to get to a growth mechanism. The third part is how much are people investing into growth itself. And this could be growth from the product, this could be growth from sales or marketing or channels of any kind, right? So in early stage startup, in, in any startup, if you want growth, then 50% of your team should be focused on growth. What I mean by that is, if you're doing product lead growth, then ensure that the developers that you have, let's say you have only developers in your business, ensure that at least 20% 30% 40% 50% of the developers are focused on getting your product more used by the same customers, getting your customers to feel so good that they refer more customers to you, use the same developers to referrals funnels, for example, in the product itself. But base for your customers to get to more customers in the product itself, and if you're able to do that without a marketing or sales team, you will still find growth. And in the Indian context, this is what in the traction book is called engineering as marketing. Engineering as marketing can be extremely powerful. So, your engineers can be doing growth for you. And in India, you know, let's say you're in Bangalore, well, not today. But if you're in Bangalore or Kormangla and, if you throw a stone, you're more likely to hit a developer, right? So you can use your developers for growth. What is the framework to use for that? Is there a framework, not necessarily, will work for the same way for everybody. But if you work towards that in a systematic way, for every day, you're trying to offer more value to your customers, where you are, or your product is helping them do better things where your problem you're solving has value where you're solving it in a way where the customer is completely blown away and extremely happy and where you're enabling the customer to get you more referrals, then that growth engine can be built. And so do you have enough people on your team building a growth engine? Other than getting you one more customer, One more customer, one customer? I think that is what we believe, is much more critical. So can you build an engine? Can you build a flywheel? Do have enough time mindspace of the founders going into doing that?

Krishna Jonnakadla 49:23

Yeah, I wanted to mention the flywheel. When you brought it up a few minutes ago, Jim Collins does a terrific job of talking about the flywheel in his good to great books.

Prasanna 49:33

Yeah, right.

Krishna Jonnakadla 49:35

So let's talk about the Indian SAAS story itself. I remember, I think three or four years ago, there were some bold proclamations that the Indian SAAS scene was unfolding in a big way. The playbook was completely available. So all it took was a few determined founders to take a hold of that playbook and actually launch it amazing SAAS startups. For a country, which has had humongous amount of IT service businesses, funnily there is a significant amount of significant amount of resistance even within those IT services companies to build SAAS products. For the world of me, while I have an explanation for why they do it, we seem to have the ecosystem to build SAAS companies. While that article proclaimed that the SAAS scene was here, I don't know, every barring a handful of companies, we usually hear the same names again and again, you know, Fresh works, Zoho, and then Capillary, and then the list sort of falls off the cliff from that. So is the Indian SAAS scene really there for good? Is it for real? And then how has it How is it changing? How has it changed? Are we going to have any breakout companies in Indian SAAS outside of these names.

Prasanna 51:00

So I think that's the rich get richer effect, right? So it's much more interesting to talk about, you know, fresh works as a company that has crossed a few billion dollars in valuation and a few hundred million dollars in revenue, versus talking about the next company, which is at a million dollars. So I think you have to go back in time a little bit. If you go back in time, five years, how many companies in India were above 10 million, you can count on one hand, if you go back five years right. Today, there are lots of companies in India, which are about $10 million. Not all of them are well known. And some of them are actually bootstrapped as well. Right. So the thing is, I think building a capital efficient business where the founder owns enough to be profitable between 1 million and 10 million in revenue in India is completely possible, can be done in tier two or tier three city. You will never even know they exist, because their company will be headquartered in Delaware. They might have a subsidiary in India, you go to the website, you will not see anything about India, they will be selling successfully and making literally millions and millions of dollars in profit annually. And you know, they will not be counted as an Indian company or be known in India. So, that is the situation we are in today, where there are companies in and I'm very, very surprised when I hear about some of these, a company in like Bhopal or Indoor, which is selling, you know, selling some software to agencies worldwide and you would never know that's an Indian company. And they're literally making a few millions of dollars in revenue. So how would we even figure out who they are, because these, these are people who are not even connected to the ecosystem, and they don't care for PR in the Indian media. So you and I would never even hear of them. And there are companies like this in Ahmedabad, in Bhopal in all over the country that we would never know about. So the challenges that the media have you know what we hear about are those companies which have raised funding which are in the ecosystem, which talk to people, which want to be in the get PR and want to shine, right? So that's how, you know what what happened is. This year when I went to SAAS Boomi, I was talking to one of the investors in India who basically is the best investor in SAAS in India, right. And so when we were like quickly chatting, and I'm like, you know, two years ago in SAAS boomi, I knew everybody who came in, I knew every single founder, I knew every single business, right? But I look around the hall there are 400 people, you'll find that people here and I barely know 150. The others I have not seen before. I've not heard of the business before. And I said like you said the same for you because you know I don't meet so many SAAS founders, you must be meeting a ton of SAS founders. Do you know everybody here in this hall? And his answer to me was, I have more people these people are I don't know where they're from. And my job is to be SAAS founders, and I have not met many of these people, I don't know where they're from. Right. And so there has been a massive explosion in the number of SaaS companies. And most of these people are able to get $200,000 in annual revenue. And hopefully, you know, we'll be able to help many of them, and many of them will figure out ways to get $2 million, or $10 million in tasseling. So Suresh has a very nice way of putting it right. So let's say you want to see one flesh works, right? Which is 100 million dollar plus in ARR. I don't know what the public number is, right? It's say let's say $200 million in ARR, right for one fresh works. You probably need 1000 b2b SaaS companies that have crossed $100,000 or $500,000. And that's what is probably happening, but we don't have, there's no NASSCOM kind of a lobby or a group, which is putting all of these founders together and in many cases, they don't even need that kind of a thing. Right? So are there lots of million dollar plus companies today than they were absolutely right. Do we even know all of them? We don't know all of them. And they're coming up all over the country. They're coming up all over the country. They're coming up in places you would never expect. So I'm like super positive about SAAS in India. I'm super, super positive that if the founder, especially somebody who has domain expertise, who has a network in a particular space, who has some insight into a particular b2b problem, they build a SAAS business, they can get $200,000 or a million dollars in revenue? Absolutely.

Krishna Jonnakadla 55:38

So you think there is a playbook in India and unlike what Talib says, if there are thousand people who invest in a stock market, occasionally just a theory of randomness will throw up a warren buffett but you're not saying this is random chance but there is a real reason because of the talent and maybe the cost advantage that SAAS is going to boom in India.

Prasanna 56:00

Yeah, absolutely right. So if that part of our thesis, right, essentially is there are businesses worldwide, which needs software to solve their problems. This could be a liquor company in New York State, which has a supply chain that needs software to run. This could be a gaming, or what you call it Casino in Las Vegas, which needs software to track who are regular customers in the casino. These are both software that are required, who's going to write that software? Who understands that problem well enough. How do they get that software written? And the world doesn't say static as we just learned in the last one month, the world doesn't say static so that software cannot be written once and it will continue to run forever. And that's where SAAS works really well, because as things change, your software will adapt to those changes and help you work through those things. So imagine that there are going to be 10s of thousands of if not hundreds of thousands of different types of businesses that all needs software to do what they do to serve their customers. Can one software solve all of that no way. Even the software for supply chain for a liquor manufacturer in New York be the same as the software for supply chain for financial company in Florida. It's not the same software, right. So that understanding of what is the problem for these two people, how is it different. What can I write that will create more value for this liquor company or more value for this pineapple company or the gaming company. If people are able to create software that adds millions of dollars of value to each of these businesses, and it's completely possible right, you can completely imagine that. If you were doing a pineapple supply chain and you're selling literally 10s of millions of dollars of pineapples every year, your software could improve productivity and sales and outcomes by half million dollars, a million dollars a year. You don't have to think too hard to think about what software to do that if you're able to write that kind of software, then there is going to be a market for it. And there are going to be hundreds of thousands of such small markets, each of those markets may have capacity to buy software for only $10 million, or $50 million 100 million dollars. Right. So you can think that all the liquor companies in the US put together may buy a supply chain software of that only works for liquor companies, for example. And that market might only be a $20 million market. But there are going to be software companies that sell $5 million of software or $10 million of software to these companies. That's per year, right? So that kind of value is going to get created. So who's going to do that? And how does it become cost effective for those companies to buy that software? That's the thought process for us. And we believe that a lot of those domain experts are today in consulting companies, in software companies, in IT services companies, and they have the domain expertise to build those products. And today, they might be building it as like solutions or whatever it is, but they're going to build it a SaaS products. And when they build it as SAAS products, and they're able to sell them successfully, they're each going to build business that are worth millions to 10s of millions of dollars. And then some of those markets will end up becoming billions of dollars concise. So canonical example the biggie, everybody is a company called Veeva, most people would have never heard of them. Their founder was in Salesforce quit, started up saying I'm building a vertical CRM. The concept of vertical software itself is not very prevalent in 2005, I think. So he had a hard time raising money, raised some money, about eight to $7 million spent only $4 million. Realize that if I keep taking venture capital money, then You know, my ownership to be diluted, then picked a niche that they felt was so small. They picked pharma CRM, they said, okay, pharmaceutical companies need a CRM to talk to doctors, can we just build that? And they picked it specifically because they thought it's very small and very niche. They reached $50 million in revenue and with only $4 million spent over the funding that they raised, went IPO at $50 million in revenue, raised another hundred million dollars or so at the IPO now they're at $800 million in revenue in annual recurring revenue. And they're probably going to hit a billion dollars very, very soon. They have only some 200 customers or 600 customers. So imagine that 600 customers are giving them $7 million in revenue. And they thought when they started up, this is a very small niche, and they were looking to build a few 10s of million dollars in revenue when they invested, but that niche exploded, Pharma CRM as a market had much, much, much more value than they imagined when they started off. So now imagine that there are going to be 100,000 such niches which could support 10s of millions of dollars in revenue. That is, where the world is today.

Krishna Jonnakadla 1:01:20

So one trend amongst all of this certainly is that the number of techies that spent time in the US right in between 2004 and 2014, maybe towards the George W. Bush and Obama era as the US had favorable immigration policies, which has changed during Trump and to a certain degree, the IT landscape remained, did not change as dynamically as it has changed in the last few years. With that changing because I personally feel there are two aspects to innovation right, one is cost the other one is context. While India definitely has a cost advantage. The techies and all the other guys as well, not just the techies, there was a whole host of other people that when I am a perfect example, I'm not a techie, I was in the US for more than a decade, I came back with rich experience about the US context. And then, while I've visited recently, I have not seen that much of change because I moved back recently, with this immigration not being their dynamic interaction with perhaps the US being the largest consumer, while that scene is largely changing, you continue to feel the innovation will happen even though many of that talent mingling will not happen. Right?

Prasanna 1:02:39

Right. So the bots I mean, before COVID and after COVID. Right, so now it's become completely flat, right? I don't know who you are. I don't want to meet you anyway.

Krishna Jonnakadla 1:02:50

And I will tell you everything about my context,

Prasanna 1:02:53

Right? Because like, why would I want to meet you like I'm not going to ask you to come to my country, right. Right now, the my office, I might not even be in office like, will you come and meet me?

Krishna Jonnakadla 1:03:04

So, so let me ask you a different question Prasanna. And there is this TED talk by a guy called Nirmala Kumar. And he, the title of the TED Talk is India's invisible innovation. And then he says, a lot of Indian innovation feels invisible because most of our innovation is in b2b. All the cap captive centers, all the IT services, they're all b2b, when we contrast India and China, because China, all the innovation that you hear about coming out of China is b2c. Right? And, you know, from your 10 cent, Alibaba, all of these guys, they're all b2c innovations. And Chinese company is twin advantage large market protection from the government. And then millions and millions of dollars have been poured into these startups. And they had that run right? When you contrast that to India, almost no government protection, and perhaps while we all tend to feel that there is abundant amount of capital available in India, I would say once you knock out the first 3 or 4% for the remaining people, you know, I don't think there is capital abundancy or capital surplus. Are we like a poor version, executing and b2b in some sense also is a low risk kind of a model. Because you don't go big or go home, you're actually constantly iterating towards your goal. So in some sense, when we contrast India and China, is that why we favor b2b and we have a clutch of b2c will we ever see all of this spillover into b2c? And then because when there is a slight difference between b2b, b2b yes creates steady revenues, but it doesn't create outsized outcomes right? You don't get 16 $17 billion exits like Flipkart did that possibly happens once in two decades, given the context that we have. So are we doomed to be stuck in this sort of, I will coined a new phrase Hindu model of startup innovation being b2b forever.

Prasanna 1:05:19

So, Jake, very simple question for you. Out of that $16 billion. How much did the founders get?

Krishna Jonnakadla 1:05:24

I think Sachin Bansal made upwards of a billion, right.

Prasanna 1:05:27

So couple of founders made 2 billion, right. Let's say all the employees put together I heard different numbers between 200 million to billion, 3 billion was what they made, right? As founders with that high risk, right? Now, look at one freshworks, right, their valuation is at 3 billion, right, right. And it let's say it goes up to five or 10, or whatever it is. Now all bets are off. But you can imagine that, you know, he will be in that range because they were still growing fast, pre Covid right? Now, I can guarantee you that the ownership of the founders in the fresh works is nowhere near as diluted as it was in Flipkart. I'll give you another example. Zoho, Right? They have 500 million in revenue by any multiple, right? It probably was between 5 billion to 10 billion, right? How much into the founders zone?

Krishna Jonnakadla 1:06:27

But Zoho is an outlier, isn't it? We have a lot of b2b but we should be increasing the possibility of having more flip cards more b2c.

Prasanna 1:06:37

Why Flipkart? Why I don't understand why Flipkart?

Krishna Jonnakadla 1:06:41

Not Flipkart per se, I am saying b2c companies, not necessarily.

Prasanna 1:06:45

Why ?

Krishna Jonnakadla 1:06:46

They create outsized valuations, isn't it they change the dynamics of domestic market as well in terms of the amount of things that happened in the market.

Prasanna 1:06:55

So we just be like, if you look at no I sees I think these are all very different things, right? I don't think that has anything to do with b2b versus b2c, right will it Zoho list in India, or will have Fresh works list in India that has much more to do with this Indian policies and the Indian market multiples than anything else. Would have Flipkart have listed in India, it wont have listed in India, right. So, and where did the value go? That 16 billion you're talking about created value out of that 16 billion, 14 billion or 12 billion went to VCs who invested for Mauritius, right, or SoftBank? Or who ever. Right. So you're mixing of multiple things. Right? So the way I look at it is I want 10,000 employees in India to each one a million dollars. And then they can then do their own startups. Right. And they will create.

Krishna Jonnakadla 1:07:47

That's a way better outcome than one Flipkart, you're saying.

Prasanna 1:07:50

Absolutely. Right. Flipkart creating supposedly 200 millionaires, right. But I'll give you an example of an exit that happened at $50 million without naming started, let's say it happened at $50 million and $50 million, there were about five or seven people who became millionaires. Now $50 million exit is thousand times more likely than a $17 billion exit. There are 3000 exits in the US every year, which are $50 million or less versus only hundred exits above 100 million. Right. So now imagine that each of those 50 million exits is creating five or 10 millioners, which one is better for the for India?

Krishna Jonnakadla 1:08:32

So you're saying we are playing the hare versus the tortoise game here?

Prasanna 1:08:35

It's not hare versus tortoise. See the the sexy outcome is one that looks big. In reality, if one sees one person who joined the company, became VP earned million dollars is now able to do a startup that can then employ 100 people then get the outcome. That's a much more sustainable and scalable model of entrepreneurship.

Krishna Jonnakadla 1:08:59

Interesting. It suits the Indian context very well.

Prasanna 1:09:03

We need those jobs. Right. Right. So for every one Flipkart that you're talking about, I'm talking about a snap deal. How much capital have they burned? Where are they? Right? Yeah. Versus in b2b, the downside is much more productive because your customer wants you to stay alive. And they have the money to keep you alive. And if a b2b company gets 200 employees, they are not going to be sold for anything less than a few million in the Indian context economy massively profitable. And if they're getting recurring revenue, revenue versus services revenue, right margins on that are going to be amazing. Right? Now imagine that 10 people in that company can become entrepreneurs next year. Because they understand the domain, they know problems in that domain now, right? There's a network, they can go to the same type of customers, they can build adjacent products, which is what Zoho did right? For the same type of customers they built. Okay, one adjacent product, another adjacent product, so the scope is also there, versus in a b2c. Let's say somebody is coming out of Flipkart. What product do they build next? What is the probability of the success of that product?

Krishna Jonnakadla 1:10:06

Well, there's quite a bit of the Flipkart mafia around, isn't it?

Prasanna 1:10:09

But what is the probability of success for them? Because in b2c, the risk is also high, right? That the product that I make, is it the winner? It's not about the quality of the founders. It's the inherent risk in the b2c model.

Krishna Jonnakadla 1:10:22

Interesting. So what are some companies that you admire out there that are doing something's different, necessarily, part of your portfolio or even not not part of your portfolio or your cohorts?

Prasanna 1:10:34

So I'd say like, founders who are doing interesting things, right. I will say people who are some scale, and then people who are at scale, right. So people who are like some scale doing interesting things. There are I'll just mention a few folks in our you know, in Upekkha itself, right? It will easier for me to name at the moment. So there's a company called Cultoro in NCR, they are trying to help founders. And they're very, very early stage right now. So but they're trying to help other companies, CEOs, founders, people who are running those businesses, improve the specific processes and that become a culture. So they're trying to influence what happens on a day to day basis or meeting by meeting basis for a person by person in a way, which can actually help you achieve more. Right? So one of the founders her name is Riti. So they're doing see they have a background where they understand all these things. So you can't sell culture transformation to a company, but you can sell habit transformation to a company and have its create culture, right. So they're going through some interesting transformation in this current context, right. Then another very early stage company is called Enrich Video. Right. So, couple of founders Chandu and his co founder Poorna. So what they've done is, and this is, again, very relevant in the time of COVID, they help financial advisors create, you know, video messages for their customers. So imagine that, you know, you had an exit, and you have a lot of money, and you have a wealth advisor. And that person is trying to help you make decisions. And so you get a video statement from your wealth management firm. And that's telling you, Hey, this is how your portfolio is doing. These are the kinds of decisions that you might want to make. And you can actually click within that video itself to make those decisions, for example, for saying, Hey, rebalance my portfolio or something, or I need to take more insurance or I need to get out of this gold or whatever. So imagine that you could have an interactive statement to do that, right. So those are a couple of folks Cultoro with Riti and Ashish as founders. Enrich Video with Poorna and Chandu as founders who are very early stage, but they're doing very interesting things compared to many other companies that I've met. Then at a scale couple of companies, one is called interview mocha, they are Pune based, so they want to be the Amazon of skill testing. So they have literally thousands of skills that are there in that skill assessment tank. So most of these are technical skills. And that helps anybody run those skill assessments for somebody remotely in whatever you want, and identify people to prioritize how you interviewed them. So as an example, you might say, Hey, I'm my company like Coke, and I'm, I have my supply chain solution, and it runs on some SAP version three, and it also uses you know, something to do with, say, Oracle version eight. And I have to find somebody who understands SAP version three and Oracle version eight and something else and something else. And they actually have the question banks for all these things at a very fine grained level. So you can put that questions together and give that assessment and see who does well and who does less well and prioritize and do that because I as a manager, I may not even know SAP v4 and Oracle v8 or whatever it is, right? So that's a company that's, you know, crossed a million dollars in the air. They're growing very fast. They were in the first cohort. So they're doing really well. Another interesting company that has crossed the scale is called scale fusion. So they do mobile device management. And they're also based in Pune, a coincidently, and they're also doing really well crossed a few million dollars in revenue, growing fast and COVID is giving them a complete different reality to deal with. Outside of Upekkha, I think a few companies that are like in the Indian context are doing really, really well. I love Charge Bee, they've been, like super focused on that problem for a long time now almost 10 years. And they've been their customers love them. The way they've built that product is amazing. They are the number one rated product in that segment in the world. Right. So they are literally world beating in every sense of the word. Fantastic people very, very helpful, very, very genuine. Really, really helpful to anybody who reaches out to them. So Charge Bee is one of my favorite companies outside. They're also stakeholders in Upekkha so they help our startups out a lot. When we go to Chennai, that's where we go to and of course, you know, Fresh Works is somebody that we all look up to a lot. And Girish as well as incredibly helpful, right? The amount of work that he's put into helping Indian, other Indian SAAS founders is just unbelievable. So those are like two of the folks who I wouldn't really, really think very, very highly of, for different reasons.

Krishna Jonnakadla 1:16:24

Yeah, Charge bee crossed 11 million Arr four years ago or three years ago, I think. So. They're a very interesting company for sure. Yeah. Awesome. And in closing, what would you tell founders out there, Prasanna? I think you've done a terrific job. Putting in very interesting perspective on the SAAS business. You're putting, I guess your money and your efforts where, you know, your mouth is. You mean what you say and you're the real lead, you know, as far as I see it. So for those founders, let's say we're in two separate contexts. Let's say somebody who knows it, they're going to build a b2b product. Right or and somebody who's building a b2b where building a product, but they don't know, it looks like it might take a b2c context or a b2b context. What is, what would your advice be for both of them?

Prasanna 1:17:22

Yeah. So the generic advice that they give everybody is to solve a real problem. Find somebody who has a particular problem and solve the problem, right? And make sure that enough people have that problem. And that problem is important enough to be solved. If you just do these things, right, then you're going to have a you know, 10 x to 100 x higher survival rate and success rate then if you don't, so very simple, find somebody who has a real problem that they will pay money to solve. Get them to pay you to solve it, solve it for them, get their help to get to more customers. Right. If you just do these things, you can get $200,000 in revenue, it doesn't matter B to B, B to C, none of that matters for this, right? That's for the general set of people. For anybody who has an understanding of a b2b domain, because they worked in the domain in the past, or because they build software in a services context in the past for them, or because they worked in a consulting company where they like really deeply understood that space, or they've been employee of a company that does that. Right? In any of those kinds of things for them, if they understand that there are problems in that domain, that are costing that company where they work, hundred thousand dollars or $500,000, or a million dollars or more, and if they know how to solve that problem, right? Not from software context, but just know what needs to be done to solve that problem. Then, I can guarantee you they can build up a company that will be worth 5 million dollars or $10 million, or $25 million or $50 million. And the domain understanding part of it is actually takes, it's actually hard to get and it actually takes anywhere between two to four years for founders to develop that domain understanding. And so if somebody has a domain understanding, find somebody to build a product with, get the customers and again, do what I said for the first one, find a customer who has that problem, solve that problem, get the money, find more people who are the customers. So today, I think there are 10s of thousands of capable entrepreneurs in India, who have done IT services businesses, who have done, you know, a B to C businesses, who are domain experts of various kinds, who can become entrepreneurs who can each build businesses that are worth 10s of millions of dollars, completely possible. And my pitch to them or my submission to them is hey, we can help you figure out how to build a capital efficient valuable business. What we cannot bring to the table is a domain expertise and product building capability. So if you have the domain expertise in the product building capability, reach out to us, we will help you build a business where you own your outcome, and you build literally 10s of millions of dollars of value.

Krishna Jonnakadla 1:20:22

So I'll pick the I didn't really mean to respond, but I still pick it. And one of your suggestions was solve a real problem. And I kind of in many times, you know, there are varied interpretations of that. So for instance, just for instance, if we take zoom as an example, if you were Eric Yuan building zoom at that point in time, given the fact that Eric was already at WebEx, you had Citrix GoToMeeting, there are a lot of people don't know, there was, I think, a software called Mikado or Micaso, which was way back in 2012, which was very much what zoom is zoom and all of these do today. And you have Google Hangouts as well. Right? So what Eric possibly pick was a really, really very thin edge of the wedge, isn't it? So in your example of product market fit, I'm thinking this falls into the problem product solution fit, where you have an insight. And your, your solution does that so well, that it just takes off. So here how do you, this feels this way, wherever you see, you see a lot of problems being solved. And then how do you make sense of something like this? What is the thought process that you go through?

Prasanna 1:21:50

So I'm not sure what the question is right. Eric Yuan knew that solving that particular problem there will be a lot of takers if you solve it well.

Krishna Jonnakadla 1:22:00

So what I'm saying Prasanna, is so if you looked at it, there wasn't a problem to be solved because WebEx existed, Citrix GoToMeeting existed, Mikado existed. Each of them enabled a web conference in their own way. It didn't look like there was a problem to be solved today, but

Prasanna 1:22:19

the I have the opposite interpretational that. The fact that dozens of solutions exist is proof that the problem exists. Right?

Krishna Jonnakadla 1:22:28

They weren't in dozens, I think maybe three of three dominant ones, right?

Prasanna 1:22:32

Hundreds, hundreds, hundreds, hundreds. Not dozens, hundreds.

Krishna Jonnakadla 1:22:37

Okay, right. If you take wipe and video software, hundreds existed, right? There are probably so many that we don't even know of. Right. Eric Yuans insight into that was all those solutions weren't doing as well as he could have the insight was if he builds a better solution in some access of better, then he can win more market and win more customer segment. Right. Now out from outside, do we know what that accesses? We'd be guessing. Right? But let's say he was actually optimizing for that in Cisco. And you realize that if I optimize this particular thing, then customers are more sticky. Right?

Krishna Jonnakadla 1:23:24

And he was able to do that, perhaps,

Prasanna 1:23:27

But they couldn't do that in WebEx, right? They didn't want to do that in WebEx, right? They were happy with the status quo. And that's the story, right? That's what he says. They didn't allow him to do a re engineered version. Defenders keep improving what is there? That's why he left, right. So but his re engineered version was better in an axis, which was important to customers, even if customers didn't understand that.

Krishna Jonnakadla 1:23:49

It looks like a very, very tiny edge, which actually grew in retrospect, isn't it?

Prasanna 1:23:55

And so that's where like how much he raised, who did he raised from right, how much money, did he need to build that business? He actually needed very little capital to build the business. So they were profitable from very early on, from every single customer that they get. They get 19 or 29 new customers, because it spreads virally.

Krishna Jonnakadla 1:24:15

Yeah. And there's another person that needs that's needed in the conversation. Right?

Prasanna 1:24:19

Exactly. Right. But more importantly than that, those customers are sticky, because if was a goto meeting or many of the other tools that you named, right. I am not attached to those tools. Right. If you send me a meeting request, I will do it in whatever you want. Right? I will not say let's do it in Zoom, right. I will do it in a GoToMeeting. But zoom, what happened is in a lot of cases, I do say let's do it in Zoom.

Krishna Jonnakadla 1:24:43

I guess they cracked the product solution for it and ease of use. I personally think that ease of use and convenience is a very very underappreciated under understood. It is a angle hiding in plain sight, isn't it?

Prasanna 1:24:57

So I don't want to generalize but the insight that he had probably from WebEx was, if I make it easier, then I we have a stickier product.

Krishna Jonnakadla 1:25:06

And I'm just saying that making it easier is available in so many domains and so many products is what it is what I'm saying.

Prasanna 1:25:15

I'm not sure about that. Right? I wouldn't extend that generalization. What I'm saying is, there might it might be a step function. And if your competitors have already crossed that step, then they may not be here what do you call it comparative advantage. Right. But if your competitors don't have that, and you know that, and you know how to do that, that's when that advantage comes in.

Krishna Jonnakadla 1:25:39

Awesome. Prasanna, this has been a wonderful conversation. I think the listeners are going to enjoy listening to this because this is exactly what we wanted, a fresh perspective, a fresh take on practically possibly most urban myths or, you know, widely popularly held opinions. And this is not an ivory tower opinion because you're seeing things happen, you're making things happen. And looks like you're going to deliver the next maybe hundred billion dollars of growth in your own way through Upekkha or whatever it metamorphosis into. I think you're onto something exciting. You definitely changed my own perspective on SAAS. And I can imagine you being in the thick of things, how exciting it must be for you to see all of these come out. Amazing. Thank you for being on the show. And we will definitely pick this up. Pick this conversation of two years or once the Indian SAAS scene hits another milestone and Upekkha hits another milestone. We wish you and Upekkha the very best.

Prasanna 1:26:45

So thanks, Krishna for having me over. Pleasure.

Nida 1:26:48

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