Startup Masterclass

Spark disruptive change and lead the future with your startup

Saurabh Jain

www.bpbonline.com

First Edition 2024

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ISBN: 978-93-55516-473

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Dedicated to

My father and brother for inspiring me to be an entrepreneur.
To my mother and wife for supporting me always.

Special thanks to my guru, ***Vijay Shekhar Sharma****, without whom this book could not have been written.*

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Forewords

The startup ecosystem in our country has grown leaps and bounds over the last few years, with young and bold changemakers driving the narrative of a new India. Today, India is at the forefront of technological advancements, and starting up is not a distant reality anymore. As we go forward, it is pertinent that the young get to learn everything about building a business, the glory of it all while also understanding how to deal with the problems that come your way. Here's where Saurabh's book *Startup Masterclass* comes into the picture. Having known him for years, which includes the time he spent working with Paytm, I have seen him working closely with many young entrepreneurs and guiding them along the way.

Startup Masterclass is a compelling book that will be a ready reckoner for those who are dreaming of starting up and are leading the wave of innovation in our country. Right from the definition of a start-up, to defining a product market fix, straight down to calculating market share, the book covers all aspects that need consideration. Here's hoping that this book helps many young entrepreneurs across the country, solve one problem at a time.

- Vijay Shekhar Sharma
Founder and CEO, ***Paytm***

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It's been over 5 years since I have known Saurabh, we worked and did a few projects together. Beyond work, I have witnessed Saurabh's ability to mentor, coach, and collaborate with entrepreneurs, investors, and even policymakers. He adeptly translates global concepts into an Indian context, presenting them in visually backed, easy-to-understand snippets. This was one of the reasons he led the **Paytm - Build for India** initiative.

Startup Masterclass spans across the creators' journey answering questions he may have, and offers stages, a structure, vocabulary, theories, and examples in this book. Saurabh has brought in his understanding of the pulse of the Indian market, consumers, and digital trends to share with his readers. He has written about how these trends are getting localised for the Indian context, and where founders need to pay attention to these shifts, and where they can simply follow the global rule books. Finally, the book also unveils a few concepts and areas like types of intelligence, Equities/ESOPs, Taxation, and more, which Indian founders typically miss while planning their startup journeys. Earlier, Saurabh encouraged many early founders through offline sessions, and now the book would do the same or better. Enabling him to reach and help the founders take the plunge, speed up their pace, or build larger businesses.

- Bhushan Patil
Founder, ***Multiply Ventures*** *(VC Firm)*
Ex-President, ***Paytm***
Ex-Director, ***Alibaba.com***

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About the Author

Saurabh Jain is a renowned mentor across startup incubators in India. He is an international speaker who has spoken at various international conferences including the SXSW and SXSW Edu in USA and in various IITs, IIMs and institutions of repute in India.

Saurabh Jain was Vice President in Paytm from 2018 to 2021 and has been an entrepreneur ever since. He is a senior member of various committees and organizations working in promotion of entrepreneurship and startup incubation across India.

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Acknowledgement

I want to express my deepest gratitude to my family members for their unwavering support and encouragement throughout this book's writing, especially my mother and my wife.

I would also like to thank my team at Fun2Do Labs which helped me in the process of designing images for this book.

I am also grateful to BPB Publications for their guidance and expertise in bringing this book to fruition. It was a long journey of revising this book, with valuable participation and collaboration of reviewers, technical experts, and editors.

I would also like to acknowledge the valuable contributions of my colleagues and co-workers during many years working in Paytm, who have taught me so much and provided valuable feedback on my work. Special thanks to Deepak Abbot, Bhushan Patil, Amit Singhal and other senior folks in the industry who helped me verify the facts written in the book.

Finally, I would like to thank all the readers who have taken an interest in my book and for their support in making it a reality. Your encouragement has been invaluable.

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Preface

Over the last 6 years, I have attended lots of startup events as a speaker and have met hundreds of startup entrepreneurs. I have observed that most startup entrepreneurs do not know the formula for creating a successful startup. Before joining Paytm as Vice President in 2018, as a startup entrepreneur myself, I began searching for the formula to build a successful startup. In 2015 when I visited San Francisco and in parallel read the book – 'The Lean Startup', I realised that there is a formula behind successful startups. Prior to that even after running multiple startups for years I was sort of lost in this endless maze of buzzwords and media hype around startups.

Since 2015, I have read more than 200 books to research the best procedure for creating a winning startup. As luck would have it, one of India's most successful startup entrepreneurs, Mr Vijay Shekhar Sharma, founder of Paytm (India's highest-valued unicorn startup in 2020 and a big, listed company now) also gave me the opportunity to work directly under him and learn from him. I also learned a lot from people in the startup ecosystem with whom I had the good fortune to meet while being a speaker at a large number of startup events in India.

I realised the need to share my knowledge with entrepreneurs around the world. If people who learn startup best practices do not share them then the new entrepreneurs will not be able to learn them fast. They will have to go through the long process of trial and error. Covid has shown that we have to increase the pace of innovation. We need to solve the problems of Earth before becoming an interplanetary species one day.

Thus, I am sharing this knowledge because my grandfather used to say that knowledge increases when you share it. I am giving you whatever I learned related to startups. I do not want anything back. Just share this knowledge wherever you can. Let us build for the world together.

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In this book we will be looking at the following aspects of starting a startup through each chapter:

Chapter 1: Introduction to Startup Canvas- This chapter will give you an introduction to the visual tool I have created for understanding startup lifecycle. This tool is called 'Startup Canvas'.

Chapter 2: Product- Developing a successful product is one of the most important goals of a startup. This chapter will give you an introduction to the important concepts of product management.

Chapter 3: People- Great products can only be developed by recruiting great talent in the startup. In this chapter we learn about the issues to keep in mind while recruiting co-founders and core team members. We also discuss things to keep in mind while scaling up the organisation.

Chapter 4: Purchasing Power- Any startup requires a lot of money and resources to function. Thus, a startup needs to focus on increasing its purchasing power. In this chapter we will learn about the bootstrapping phase and getting funding from angel investors and venture capitalists. We also learn about the steps in creating a great pitch deck and points to keep in mind while signing a term sheet.

Chapter 5: Conclusion: When Should I Start a Startup - Starting a startup is one of the most difficult decisions of any entrepreneur's life. In this chapter I try to explore the best time to start a startup.

As an entrepreneur, I have learned a lot over the years. Even in my role as Vice President of Paytm I learned a lot from Vijay Shekhar Sharma and his team. This book is a way of sharing those learnings with you the reader. I hope you learn from this book and go on to create a world changing startup.

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Chapter 1
Introduction to Startup Canvas

Introduction

After distilling all the knowledge, I gathered over the last many years, I have created a visual tool to mentor budding startup founders. This tool is called **'Startup Canvas'**. Startup Canvas aims to help you plan your startup's journey in such a way, that you create a winning startup.

Startups are incredibly complex, and they operate through an even more complex environment, yet we can see that the actions and decisions of winning entrepreneurs are never by chance or accidental. They too, follow the best practices that they have learned. Learning and following those practices is not possible for a new entrepreneur in a short time but my aim is to provide a comfortable starting point to a new entrepreneur so that he or she can start on the right path and learn the appropriate things, with time.

Most startup entrepreneurs are like *Abhimanyu* (from the legendary Indian epic *Mahabharata*). He knew how to go into battle but did not know the correct way of coming out of it. I, in a way relate to *Abhimanyu*, here. Reading 200+ books and working with *Mr. Vijay Shekhar Sharma* in Paytm while also meeting lots of successful startup investors and

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founders, gave me access to the winning formula for growing a startup.

***Figure 1.1**: Startup canvas*

This book is called *Startup Masterclass* and it aims to mentor you, a budding entrepreneur in your quest for building a successful startup.

To make you understand the startup lifecycle in detail, I have created a tool called **Startup Canvas**. It is intended to create an understanding of the appropriate best practices at every stage of startup lifecycle.

Structure

This chapter covers the following topics:

- Who is an entrepreneur?
- What is a startup?
- Value mountain
- 3 goals of a startup
- 3 focus areas of startup founders
- 3 stages of startup life cycle
- Startup canvas
- Types of startups

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Objectives

This chapter will introduce you to terms like entrepreneur, startup and value mountain. The chapter will also introduce you to the startup lifecycle and **Startup Canvas**, a tool to understand the startup lifecycle. The chapter will end with the introduction to various types of startups.

Who is an entrepreneur?

Entrepreneur is a buzzword these days. The media extensively covers successful entrepreneurs like *Elon Musk* and *Jeff Bezos* and portrays them as new-age gods. Many youngsters do not want to be job seekers these days. They want to be entrepreneurs. Unfortunately, not many understand the meaning of the word entrepreneur. Many do not understand the difference between being an entrepreneur and a person running a business.

Figure 1.2: *Entrepreneur*

We relate the word entrepreneur with high-tech startups and the modern era. You would be surprised to learn that economists have been studying this word for 300 years. *Entrepreneur* is in fact an old French word which English borrowed.

Till some time ago, I understood an entrepreneur as an individual who has an active role in founding a startup along with a tangible ownership in that startup. *John Doerr* is one of the most legendary investors in Silicon Valley and is also one of the earliest investors in both Google and Amazon. According to him:

> *Entrepreneur is someone who does more than anyone thinks possible with less than anyone thinks possible.*

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This definition is one of the best definitions of the word Entrepreneur. It made it clear that entrepreneurs can be anywhere. While we all relate entrepreneurship with startups this definition makes it clear that entrepreneurs can be outside of startups too. They do not need to be running startups. A good example is *Mukesh Ambani* (the richest man in India in 2020). He is the most iconic entrepreneur in India, yet he is running an old company that has been in existence for many decades.

I personally believe that **Artificial Intelligence (AI)** and other technologies will take over most of the existing jobs in the coming decades. The only viable career option in the coming decades will be entrepreneurship or intrapreneurship (working in the founding team or senior position in a startup). Technology and changing digital lifestyles will disrupt all existing businesses. Only entrepreneurs will thrive in this disruption. Thus, the future belongs to the entrepreneurs.

What is a startup?

In the last 10 years **startup** is one of the fastest growing words in popularity. Most people did not know about the word **startup** a decade ago. Startups like Uber, Stripe and Paytm, etc., have made this word famous. Government programs like **Startup India** have also increased their popularity. Despite its huge popularity, no one seems to know the exact meaning of the word **startup**.

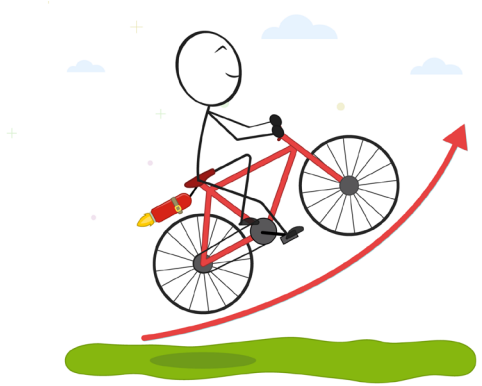

Figure 1.3: *What is a Startup?*

Interestingly, people who work in big startups also do not know whether they work in a corporation or a startup. When I joined Paytm (which was India's highest-valued startup in 2020) as Vice President in 2018, I met a lady who was one of the earliest employees in the

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company. She asked me if Paytm was still a startup even though it had thousands of employees. For her startups meant small fast-growing companies.

Most people do not have clarity on what a startup is. Some people believe that every small company is a startup. While some believe that every new organization is a startup, others believe that all medium and small businesses can be classified as startups. You may be surprised to know that some believe freelancers to be startups, as well. Some believe that startups are only about technology. Thus, there is a lot of confusion on the meaning of the term startup among people.

Steve Blank, the author of **The Startup Owner's Manual** and a global startup mentor has provided the following definition of a startup:

> *A startup is a temporary organisation in search of a scalable, repeatable, profitable business model.*

He says in his book that startups are not the smaller versions of large companies. Startups are different from big corporations. They want to find a scalable, repeatable, and profitable business model. According to *Blank,* they are temporary organizations. Either they grow big and become corporations or they die. Thus, startups cannot always remain a startup.

Steve's definition is good, but it does not cover some bigger startups who already have found a scalable, repeatable and profitable business model but still are called startups by people in industry and media.

Also, Steve's definition does not cover new ventures by existing corporations even though they may be acting like startups. For example, Reliance Jio in India disrupted the telecom industry in India even though it was the last entrant in the industry. Reliance is one of the biggest private sector companies in India (in 2023) but its telecom venture Jio acted like a startup and dislodged the incumbents.

I personally like the definition provided by *Eric Ries*, the author of **The Lean Startup**:

> *A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty.*

Eric's definition is agnostic to the size of a startup. It is also agnostic to the lifecycle stage of a startup. He simply focuses on delivering a new product or a service under the conditions of extreme uncertainty. If we take *Eric's* definition, we will be able to justify Uber, Paytm

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