

UNDERSTANDING “UNICORN” BEYOND VALUATION

A STUDY OF MARKETING AND FUNDING STRATEGIES OF 4 INDIAN START UPS

Shweta Chauhan

Assistant Professor, Chandigarh School of Business, CGC, Jhanjeri, Mohali

Tanuja Sahni

Assistant Professor, Chandigarh School of Business, CGC, Jhanjeri, Mohali

Abstract

It takes years to build a brand which can boast of a valuation of more than a Billion Dollar. But the business acumen of some of the entrepreneurs of today's time have taken their respective start-ups to such heights that they could achieve what others only dream of- a Billion Dollar valuation. The story of any Unicorn is always fascinating because a Unicorn is much more than just the valuation. It is the disruptive idea, vision, strategy and the sustainable goal of the team that makes the start-up a “Unicorn”. This paper aims at gaining an insight into the marketing and funding strategies of four Indian Start-Ups viz. CRED, Meesho, BharatPe and Nykaa. The founders of these start-ups chose revenue over valuation and focused on building a brand that eventually turned into a “Unicorn”. The findings of this paper revealed some path breaking marketing and funding strategies like influencer marketing, omnichannel marketing et al.

Keywords: Omnichannel, Backlinking, Unicorn.

1. Introduction

2021 was a remarkable year when it comes to marketing. With such rapid advancements and adaptations influencer marketing played a vital role in promoting the brands. Most of the E-commerce businesses started promoting the products through influencers rather than collaborating with big celebrities. One of the most important aspects of promoting the product through influencers is that the cost of marketing goes down. The Budding entrepreneurs are entering the market with a plethora of ideas making their own brand identity. Not only their marketing skills but also the funding strategies exhibit unique traits. Novel strategies like social media platforms, backlinking, omnichannel, customization offering personal attention, content marketing, Event marketing, try and buy product, Pinterest, handmade offerings played a vital role in marketing the Brand and product. Talking about the funding strategies of the E-commerce Businesses, the initial capital invested came from the parents' personal savings or entirely by the concerned entrepreneur who wished to start the venture.

2. Review of Literature

An extensive review of literature has been conducted to have an insight into the various research work undertaken so far in the context of Unicorns. It has been observed that this is a novel area and a lot can be done in future. Most of the studies are descriptive in nature and there is a need to have more empirical studies on Unicorns.

The following is a glimpse of few of the literature review conducted for the present study:

Doritta et. al (2021) conducted a research, “What companies can learn from unicorn startups to overcome the COVID-19 crisis” with an aim to search measures that unicorn startups have implemented during the pandemic and the lessons that can be learned to help entrepreneurs and small and medium businesses to overcome the

crisis. The findings show that the pandemic affects unicorns' businesses negatively, a digital business model innovation affects them positively; and innovations moderate positively the negative impact of the crisis.

Damasceno et. al (2021) in their study "Lessons from the fastest Brazilian unicorn" aimed to analyze as to why a Brazilian digital startup company reached unicorn status the fastest. The case revealed that this is a case of a company in the direct home-buying space unlike a traditional real estate space and thus has been able to reach a unicorn status.

Rattan (2020) in the research entitled, "Unicorn start-ups and their journey: a case study of two Indian start-ups swiggy and paytm" tried to analyse news and latest funding and valuations in general and specific start-ups to understand unicorn's ability to maintain profitability and revenue. It was found that these two start ups took the first mover advantage.

Aggarwal and Gupta (2018) in "the study of unicorn start up management and profitability" conducted with an objective to do case study analysis of selected companies made use of secondary sources and tools like multivariate regression analysis and correlation analysis. It was concluded that there is a significant relationship between net worth and funding of startups.

Patil and Wadajkar (2020) in the "Indian startup : Shining unicorn" found that most of the Indian Unicorns took the first mover advantage and there is a huge opportunity available for Indian start-ups. The objective of the study was to get an insight into the Indian start ups.

Salas et.al (2020) in the paper entitled "Unicorns Gallop rampant Through China and India: Successes and Similarities 2020" aimed to explore the success and characteristics of the novel business model used by Chinese and Indian unicorn firms. A Four Factor Analysis Model for international unicorn firms was applied and it was concluded that there is a strong collocation of unicorns and top financial centres in China and India.

Bock and Hackber (2020) in their research work on "Unicorns - What drives multi billion dollar valuation" found that Unicorns are locally concentrated with more than 50% in the USA, and have rapidly increasing shares in China and are considerably low in other countries. A Regression analysis was applied on a sample size of 258 Venture Backed companies.

Lehman et.al (2018) in the work on "Hidden champion and unicorn : A question of the context of human capital investments" focused on Hidden champion as the counterpart of unicorns. The outcomes of the research were the fact that the global distribution of hidden champions and unicorns follows a systematic pattern. The researchers should consider the hidden Champions and not just the unicorn.

Panigrahi et.al (2019) conducted a research work on shopkirana with the paper entitled "A Unicorn in Making : A Case study of shopkirana" discussed the Shopkirana Business model and analysed the company data drawn from information based on reliable online and offline sources. It was found that the traditional Retailers have an option to upgrade and grow just like all other modern retailers by integrating shopkirana tech for sourcing and selling.

Gupta and Singh (2017) studied the "Impact of Relationship Management on Customer Loyalty of e Wallet Users: A Study of Paytm Enterprise" to check the impact of relationship marketing strategy on customer loyalty. A Questionnaire was circulated to 151 Respondents of Varanasi and Multiple Regression was applied. The results revealed that in order to have loyal customers in Paytm the marketer needs to build a solid relationship with customers by focusing on reliability, dedication, conversation and handling of customer issues.

3. Meaning of Unicorn Start-ups

The term "Unicorn" came into the limelight in the year 2013 when Aileen Lee (venture capitalist), founder of Cowboy Ventures, California coined it for the first time. Any start up gets a unicorn status when its value is over \$ 1 billion. Talking from the Indian context, there has been a mammoth growth of startups and so of unicorns. Talking of the recent year 2021, many companies managed to get the badge of Unicorn. There are some 82 Indian tech startups who have entered the Unicorn club till date.

Amongst others, Meesho, Nykaa, Cred and Bharat Pe, all Indian startups have been taken as a part of the current study to have a deep and clear understanding about unicorns apart from their valuation criteria.

3.1 Nykaa

Founded by Falguni Nayar in the year 2012, Nykaa is a Brand which sells makeup, skincare products, wellness products. It launched itself as a sole e-commerce medium and later came up with various retail outlets across the nation. Nykaa is not women-centric and this is evident from the fact that Nykaa has opened its men section with the name Nykaa Man website and on Nykaa network. Nykaa is often referred to as Indian Sephora. In 2020 Nykaa became the first Indian unicorn start-up headed by a woman. Though there could be many reasons behind the success of Nykaa, it stands unique and authentic when it comes to its marketing strategy. It is an Omnichannel retailer keeping the fact in mind that customers have to be given a holistic beauty experience. Quality and reality checks are of utmost importance for Nayar. Instead of featuring stars for the promotion of their cosmetics, they have some 23-25 year old girls who talk about the features, ingredients, usage and uniqueness of their products. After the launch of its IPO, Nykaa has been able to build a strong reputation in the market. Fashion designer Masaba Gupta collaborated with Nykaa and sold their products under the packaging in the name of Masaba. Nykaa categorises the business through social media marketing in different categories like My Nykaa, Nykaa Beauty, Nykaa Apparels, Nykaa beauty tips. Talking about the CSR activities, Falguni has left no stone unturned and has extended social and financial help through corporate social responsibility partnership, Milaap, PM Care fund Etc.

Marketing Strategy : Nykaa adopted a different business model that has helped it a great deal to have an edge over its competitors. By adopting an inventory model, Nykaa avoids forged items coming in its way by directly selling the products to customers once they purchase them from brands and distributors. Also, an authentic marketing of its products by genuine faces instead of celebrities taking a front seat makes its marketing different, authentic and reliable.

Funding strategy: Nykaa in its initial years was entirely funded by Falguni Nayar along with her husband Sanjay Nayar. But later, Nykaa's parent company FSN E-commerce Ventures Ltd. Raised around Rs. 2396 crore from anchor investors. Prior to this, Fidelity Management and Research Company invested with an undisclosed amount in Nykaa. And of course, after the launch of its IPO in the month of October 2021, Nykaa managed to get a stupendous response when its IPO was subscribed 87.78 times over some 2 Crore shares that were offered.

3.2 Bharat Pe

Started by two IITians, Ashneer Grover and Shashvat Nikarani in 2018, Bharat Pe is the first start-up to launch an interoperable QR code. It was on August 16, 2018 that Bharat Pe was born. Though there existed many apps to assist the online payments but the merchants were still struggling with MDR. MDR i.e. Merchant Discount Rate refers to a charge paid by merchants to banks and payment service providers for every transaction. But, Bharat Pe kept the MDR at zero, at the time when bigger rivals like Paytm were charging 2%. The idea behind this was to get more merchants on board and then sell them big-ticket products such as financing. Bharat Pe is said to be the best example of last mover but fast mover. The business model of this startup had been able to fix the loopholes which the other online payment providers failed to deliver. Its success lies in the fact that it focused on the needs of merchants. The journey of Bharat Pe has been remarkable when in April 2019, it entered the lending business, which became its main source of revenue and in the year 2020, it began selling its own card machine called BharatSwipe. Bharat Pe's most stunning victory has been getting approval from Reserve Bank of India (RBI), a rare phenomenon which has eluded other fintech startups in the country. In August 2021, Bharat Pe raised \$370 million in an E round at a \$2.85 billion valuation to acquire Unicorn Status.

Marketing Strategy: This is the first start-up in its domain that has been able to solve the plight of merchants and has been able to market itself by charging no rates to the merchants for their transactions. Unlike other fintech startups that were putting a charge of MDR at 2%, Bharat Pe did its much-appreciating marketing with its last move of no charge on the merchants for online payment services provided to them. **Funding strategy:** Bharat Pe is a fintech company and earns from its lending business. It has been able to capture a major chunk of the merchants by being merchant-centric more than customer-centric. Bharat Pe has been able to take over the

troubled cooperative lender Punjab and Maharashtra Co-operative (PMC) Bank, and re-launch it as a small finance bank. Majorly it earns from its lending operations.

3.3 Meesho

With an aim to empower women, Meesho is one of the startups founded by two IITians, Vidit Aatrey and Sanjeev Barnwal. Meesho is the first social E-commerce company which gives platform to various small traders. Meesho provides a platform to small traders particularly household women to resell the products and earn. The traders can add up their commission on top of the product and shipping charges with the final price. This is how the business is able to generate returns for the traders linked with Meesho. Meesho associates are able to earn by receiving commission of 10-20% from their customers/ clients. Meesho follows the same business model like that of Amazon, Flipkart as regards the charging of commission is concerned. Social media platforms play an eminent role in the promotion of products of Meesho. The Housewives and unemployed youth have been able to reap the benefits of reselling the products available on Meesho. Meesho become the newest e-commerce to enter the unicorn list through its eye catchy marketing strategies.

Marketing Strategy: The women empowering marketing strategy by Meesho gained huge popularity, the reason for which it wished to be known for. Providing employment with a unique notion is the USP of Meesho. Meesho advertises not only through its application, but through social media platforms like facebook, instagram and print media. It makes use of Ads and Rank Push strategy whereby the suppliers showcase the advertisements of the products. It offers huge discounts in its products when compared with other e retailers like Amazon, Myntra, Flipkart etc. It follows a B2B and B2C business model.

Funding strategy: The currency valuation of meesho stands at \$4.9 billion. This novel venture had an influx of huge investments from facebook in the year 2019 becoming the first Indian startup to have investments from an American Social media Company. And, now there are increasing number of high profile investors who are finding Meesho as a growth based investment company. Meesho also went for three rounds of funding in the year 2021.

3.4 CRED

Founded by Kunal Shah in the year 2018, Cred is a fintech startup launched with the aim of expanding the credit card user base in India. This is the first Indian start up in the financial sector that exhibits not only a distinct idea but a unique business model too. Cred caters to its credit card users by serving them in the best possible way. It keeps on updating its card users for the bills which are due for payment. It facilitates its users with services like Cred Stash and Cred Rentpay. CRED rewards its users with the cred coins which in turn can be redeemed through its app by way of cashbacks and discounts. That's how it has been able to build a network of trustworthy credit card users. Cred followed the concept of niche marketing (Credit Card users) by entering where its competitors had never thought of. The fintech focuses on Generation Y i.e. people falling in the age group of 25-40. It achieved the status of Unicorn in the year 2020 with a valuation of 2.2 billion.

Marketing Strategy: CRED is best known for its advertisement campaigns and with every new advertisement coming in they keep raising their bars. Also, the event making strategy of CRED does not need to go behind sponsorships. Another noteworthy marketing strategy is its tie up for three years with IPL which catches the attention of almost every individual.

Funding strategy: Cred in its growth stage was backed by many of the venture capitalist from all over the world. Some were DST Global, Sequoia Capital India and Tiger Global. The focus was to make India a creditworthy country and make the users pay the credit card bills on time and improve the credit store.

4. Rationale of the study

Unicorns as mentioned earlier have been a buzzword these days. But getting the status of a unicorn cannot guarantee the success of an enterprise. The present study has been conducted to study the unicorns apart from their valuation to get a clear picture of the Unicorns. To know the marketing and funding strategies adopted by these unicorns serves as the basic aim of the present research.

5. Research Methodology

Vast literature has been studied to know about Unicorns, their working, strategies and the challenges faced. Various research journals, publications, articles, research papers were studied to learn the know-how of startups and the reasons behind getting Unicorn status. The research is purely secondary in nature and relies on published work to get an insight of Unicorns.

6. Findings

The present study consists of two retail business startups i.e Nykaa and Meesho and two fintech startups i.e Bharat Pe and CRED. The findings reveal the fact that whether the Indian startups have been in the retail sector or Finance Sector, their explicit strategies make them stand unique from the crowd. The distinct marketing and funding strategies have been somewhere the reasons for each of the startups to achieve a Unicorn status. The valuation of over \$1billion itself is a remarkable achievement for any start up.

7. Scope for Future Research

It is suggested that Unicorn startups is an interesting area for research but till date lacks empirical data in majority of the researches conducted so far. A lot can be explored in this domain by novice researchers or individuals along with the statistical intervention through the application of research tools. Such a study conducted may be more authentic and once loaded with data can lend more reliability and authenticity to research work.

8. Conclusion

Unicorns have become one of the key investments for angel investors and venture capitalists . The budding startups now getting the tag of Unicorns have been able to establish themselves in the market by acquiring huge funds from private equity firms. IPOs, personal funds, angel investors, NBFCs, commercial banks serve as the backbone of startups by providing financial assistance. A comprehensive market study and through understanding of the customers's needs and demands, the Indian startups cater to every single individual by giving them a unique product, experience, service and savings. From the extensive research conducted, it can be concluded that Unicorns have occupied an ample space in the markets be it from the viewpoint of customer reliability, unique advertisement ,million dollar valuation, market share or growth, these have been catching the attention of almost every stakeholder. Indian start ups can go a long way ahead not only in the terms of valuation, but also by diversifying themselves and widening the market share.

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