
The American advantage

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SILICON VALLEY: Many Indian software product startups are moving to the US because it's their biggest market, and it is easier to sell to enterprise customers when you are geographically closer to them. Their funders, too, are offering a variety of incentives, including subsidized workspaces and marketing & PR services.

Plug and Play Tech Centre, a three-storey building in Sunnyvale, south of Palo Alto, is where Silicon Valley venture firm Accel Partners has housed five of its Indian cross-border startups. These are all early-stage technology product companies rubbing shoulders with hundreds of fledgling startups from across the world that operate out of this shared workplace, which also doubles as a tech accelerator.

Accel, an early investor in Indian ecommerce major Flipkart, says 10 such Indian cross-border companies are part of its portfolio -that's up from only a couple a year ago. It has nine CEOs from these startups based in the US.

"My addition as a Silicon Valley member of the Accel India team was for precisely this reason -help increase our cross-border investments and make them succeed. Besides the shared space at the Plug and Play centre, we have set up a shared marketing and PR resource for these startups and will continue to look for other ways we can help these companies," says Dinesh Katiyar, a partner at Accel US who is in charge of the VC's Indian cross-border companies. Accel's cross-border tech product portfolio includes Freshdesk, Mobstac, Yakit, Mindtickle, ThinkApps, CrowdAnalytix, Chargebee and WizRocket, among others.

Rise of cross-border startups

Venture capitalists are seriously tracking the next big breakout product idea out of India. And they are pushing startups in their portfolio to move to the strip of land between San Francisco and San Jose to fuel their global ambition, just like Israeli startups, many of which have successfully taken their innovation to the Valley. Interestingly, VCs are now starting to propose and facilitate this move while striking investments with early-stage product startups. A few years ago, companies would gain scale first and then move to foreign markets.

Nexus Venture Partners boasts of a long list of Indian companies, including Pubmatic, Druva, Scalearc, Aryaka and Eka, which have harnessed global markets to drive up their business. Sequoia Capital has been aiding their portfolio companies with their clout in the Valley. No wonder Ashish Gupta, a partner at Helion Venture Partners, another Indian VC firm, shifted back to the Valley last year. The move to the US is for multiple reasons it's the largest spender on technology; it's much easier to sell to enterprise customers if the startup is based in the Valley and it becomes simpler to build relationships with influential technology writers and technology consultants.

"We wanted to go global from Day One, and in 20 days of being operational, we had clients from six different countries. Being in the US also helps startups make their presence felt and exposes them to the potential of an M&A," says Girish Mathrubootham, founder and CEO of Freshdesk, a customer support software provider that was incorporated in the US in 2010-11 though the

founders were then based in India. Last year Freshdesk took office space in the financial district of San Francisco.

From IT services to products

The first waves of cross-border tech companies from India were the software service providers led by Infosys, TCS and Wipro. "But IT services are very different from products," says Naren Gupta, co-founder of India-focused Nexus Venture Partners, headquartered at the swanky VC haven of Sandhill Road, Menlo Park. The services delivery platform was more or less in India but the customers were in the US and the UK. "For new-age tech product startups, the market is global. No one invested in these startups five years ago; most of our competitors were busy pushing cross-border services companies then," says Gupta. Nexus has made three exits from its product portfolio -Gluster, Cloud.com and Dimdim.

Interestingly, VCs who laid bets on the first generation of Indian product startups targeting the US market did not get the expected results. Says Sumir Chadha, co-founder, Westbridge Capital (formerly Sequoia India), who has been investing in India since 2000 and had taken early bets on tech product companies, "The first wave was much tougher because software was mostly sold then through direct sales forces. So, as an Indian startup, you needed to hire an expensive sales team in the US and manage them remotely. Today, all that has changed. Software is increasingly sold as a service over the web, so anyone can subscribe from anywhere over the internet. I'm very bullish on SaaS (Software as a Service) space in India; companies like Zoho and Freshdesk are leading the way but there are many (more) to come."

A recent report by software product think tank iSpirt says that of the top 30 Indian business-to-business software product companies, around 14% are headquartered in the Valley. "The first few customers often come from the networks of entrepreneurs and investors. Being in the US helps navigate those networks and get those early wins," says Sunil Thomas, CEO of WizRocket, a SaaS startup which started off in Mumbai a year ago but now has a presence in the Valley as well.

But the model has potential downsides too. Says Ashwin Rao, co-founder and CEO of Nexus-funded recruitment software venture Zlemma: "Split teams are fine as long as they can operate fairly independently. But if a startup has too much cross-border email phone activity or too much back-and-forth travel, the split-model will not work."