

OUTSOURCED! Birth pangs of a start-up

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Gone are the days when starting a business needed religious planning, enormous capital and large infrastructure. In the present “knowledge economy”, all you need is your brain and fertile ideas, especially in the IT industry.

Entry barriers are at an all-time low and starting a business has never been as simple as now. Only your core functions have to be your own. Everything else, starting from your front desk to your backend IT system, can be outsourced. You don’t need large capital investment; sustained operational expenditure will take care of your near future.

“Back in 2005, six well-meaning youngsters with barely three years of work experience quit their plum jobs in multi-national companies including Texas Instruments, IBM and Honeywell, to nosedive into the internet-based bus ticket-booking venture. The only guiding light was a compelling idea and enthusiasm,” says Phanindra Sama, chief executive officer of Pilani Soft Labs, the promoter of redBus.in. “Three of us were electronics engineers from BITS Pilani; we didn’t know software. The idea had sprung and we decided to move on. We bought books and learnt how to code,” he quips.

The company is often cited as the most successful startups to have leveraged latest technologies and newer business models to the fullest extent. It started by developing applications on the cloud, created the prototype for its backend application, showcased them to prospective customers and eventually scaled and moved all of its applications to the cloud. Right now, almost all of redBus’ IT infrastructure including its customer-facing portal is handled by Amazon Web Services (AWS).

According to Regina Tan, head of public and analyst relations, AWS, the company has seen several such examples in India over the last couple of years and redBus is its most successful implementation so far. Startup firms are the fastest adopters of new age business models and technologies including the cloud, says Ezhil Arasan B, director – CSS Corp Labs. “Many of them are ready to experiment with the technologies as they offer the liberty to pay as they go. After all, startups don’t have legacy systems like the large companies and when they fail, they don’t lose much.”

According to Sama, “Money is not a problem at all now. A year ago, we internally drew up a plan for expansions and estimated that we would need about Rs 3 crore. Investors took one look at our projections and were ready to give up to Rs 10 crore. There’s a lot of buzz around IT startups and there are also enough opportunities.”

Another such example is the startup Marcellus. The company provides a software-as-a-service platform that allows its clients (such as media companies and news agencies) to deliver high-quality videos on their own websites. Marcellus creates custom plans for enterprises with large bandwidth requirements. The company was started in 2007 and has employees in North America and India.

The company does most of its revenue generating activities including storing and distributing content; handling video queues; running clients' encoding processes, and scaling capacity on demand, on the cloud. It also plans to move its data storage to a cloud environment.

Preetam Mukerjee, chief executive officer of Marcellus says, "Adopting cloud reduced our time to market by at least a year, which was crucial for us, given the Asia-Pacific market space we target." Marcellus is now planning to expand beyond Asia Pacific to the North American market. "Cloud environment helps us to continue to iterate on our business model of offering value-added infrastructure. With the diversity of infrastructure resources (storage, content delivery, servers, queuing and logging) we use, cloud is the only solution we know of, that allows us to efficiently do our job, affordably and reliably." However, there is also a potential downside to this. Dependence on an external entity for day-to-day operations may suit a startup but it may become detrimental as the company scales up, says Dirk-Peter van Leeuwen, vice president and general manager of Red Hat, the global open source software leader.

The company has to rely on its service provider for most of its business decisions as growth will depend on how much the latter cooperates. Moreover, too much of dependence on a service provider will deny the startup its rights to negotiate pricing, he adds.

Source: http://bit.ly/financialchronicle_csscorp2