

Innovation And Unicorns

BY SANJIV NARANG



Unicorn is a term which was coined in 2013, and it means, "a startup whose valuation stands at One Billion." These unicorns are obviously a rarity and the correlation between the emergence of a unicorn and innovation in its value chain deserves exploration.

Is there a link to innovation and the rise of unicorns such as Policy Bazaar and OYO? Is there a positive correlation between innovation in their core business models and their meteoric rise into the club of unicorns? What does it take to be a unicorn? Such questions will be examined by analysing the cases of Indian unicorns who have joined the One Billion club of Indian startups.

We often come across entrepreneurs with stars in their eyes bearing the vision of creating a unicorn. First, we need to arrive at a shared understanding of the term "Unicorn" in business. Unicorn is a term which was coined in 2013, and it means, "a startup whose valuation stands at One Billion." These unicorns are obviously a rarity and the correlation between the emergence of a unicorn and innovation in its value chain deserves exploration. Some of the dominant Indian unicorns are Policy Bazaar in the field of insurance and investment, Rivigo in the field of logistics, Pine

Labs in Digital Payments, OYO in hospitality among others.

Policy Bazaar: Fulfilling the unfulfilled

Policy Bazaar caters to the unfulfilled needs of a customer in the field of insurance. In insurance, a customer is highly dependent upon insurance agents to give the required information. And invariably, the information provided is biased, inaccurate, and, loaded in favour of the insurance agent rather than the customer, which leads to customer exploitation. Thus, the unfulfilled needs of the customer were quite intense. Working back from these needs, there is the requirement of a system to satisfy the needs of comparative analysis among insurance products of companies in order to find the best value for money. The insurance market segment is large and a mass market. The business model of Policy Bazaar is designed to fulfil the aforementioned dominant and yet

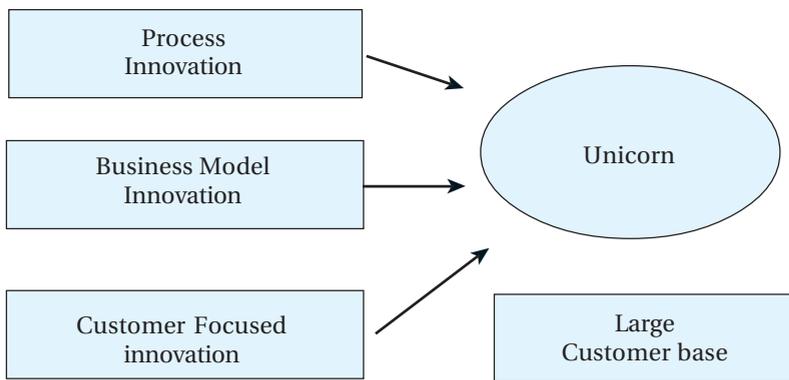
Some Indian Unicorns

Policy Bazaar	=	Insurance
Rivigo	=	Logistics
Pine Labs	=	Payment Acceptance Solutions
OYO	=	Hospitality
Swiggy	=	Food
Byju's	=	Learning
Freshworks	=	CRM/Sales
Big Basket	=	Grocery/ eCommerce



unsatisfied needs of the mass market of insurance customers. The business model innovation consists of value chain innovation as well as systems innovation. Moreover, when a customer visits the Policy Bazaar website and explores any of the available comparative products, he/she invariably gets a call from Policy Bazaar regarding insurance or investment needs. Thus, the value chain innovation is juxtaposed with customer-focused innovation.

Therefore, value chain innovation and customer-focused innovation have enabled Policy Bazaar to emerge as a unicorn. Innovation is embedded in its business model. The presence of innovation is not limited to the business model, it is present in multiple processes including the customer management process. Thus, process innovations permeate the business model. This leads us to the inference that business model innovation, process innovations and customer focused innovation are the sine qua non of a unicorn. The resultant unicorn model is mapped alongside:



Rivigo: The Disruptionist

Rivigo came into existence in 2014 and aims to be the largest logistics platform by 2020. Rivigo is playing the role of a "disruptionist" in the logistics sector. That is a little surprising because we generally presume technology startups to be "disruptionists." Now here is a logistics company disrupting the

logistics sector by innovating in its core value chain.

The value chain innovation implemented by the organisation is the "Driver relay system." On a single route, there is a relay of multiple drivers of the same truck. The truck does not have to stop for the driver to sleep overnight and the driver is able to return back home after 24-36 hours. The delivery time gets reduced by up to 400%! Thus, a Delhi-Chennai trip which usually takes 8 days is covered by Rivigo in only two days. This not only reduces the cost of logistics, it also enhances the quality of life for the driver. Thus, such a value chain innovation scores at a benchmark level in terms of new value created. Further, value chain innovation is triggered through the application of GPS for tracking shipments.

Another path breaking innovation designed and implemented by Rivigo is the two-way IoT system designed by it for managing its trucks. This IoT system is equipped with sensors for GPS, temperature, and fuel. These vehicle parameters are monitored remotely by the company, making way for an innovative truck management system. The key value chain innovation is the two-way IoT system enabling Rivigo to manage the temperature in the trucks remotely, thereby, enabling better shelf life of such products being transported by the truck.

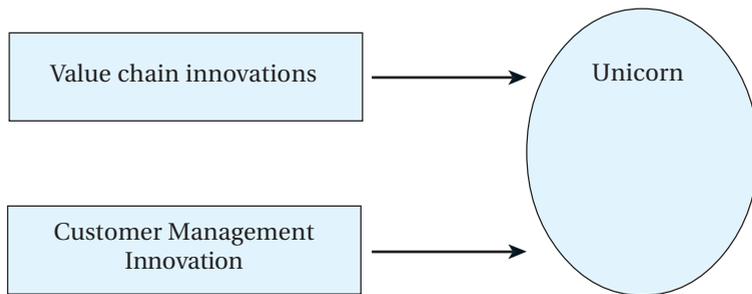
Rivigo has also innovated its customer management system. It has designed a business network partner programme through which it manages its customers and delivers superior customer experience and satisfaction. Thus, Rivigo enhances customer satisfaction not only by delivering superior value to its customers, but also enhances customer experience through its business partner network.

Therefore, multiple innovations constitute the business model of Rivigo. The core innovations are that of vehicle management, driver relay system, and customer management. The IoT based vehicle management system and the driver relay system are value chain innovations. These value chain innovations and customer management innovation have enabled

Rivigo to disrupt the logistics sector and emerge as a unicorn.

OYO: Quality at lower cost

Another unicorn that deserves to be analysed is OYO. OYO started in 2013, and, in only five years, it has become a unicorn. The business model of OYO consists of taking rooms from hotels on lease and then standardising these



rooms with reference to quality levels. Thus, the unique value proposition of OYO is quality rooms at low prices, and, the business model has innovation embedded into it. Combining this innovation in the basic value chain of hospitality, OYO has innovated in customer experience through its App, and, by making multiple OYO rooms available at low prices in a given vicinity, it has rendered a customer experience unique. Thus, the value chain innovation is combined with an innovation in customer management and customer experience.

On synthesizing the pattern that emerges from all the aforementioned cases it comes to the fore that there are three innovations that form the core business model of a unicorn. Firstly, all the unicorns have innovation embedded in their business models. Without these innovations, the possibility of becoming a unicorn is remote.

The types of innovations which constitute the business model of these unicorns also fall in a pattern. Two types of innovations are predominant in the business models of unicorns. The first and foremost is innovation in the value chain. Innovation in the value chain is not a tinkered improvement in the value chain. It is a quantum innovation in the value chain which creates significant and

quantifiable new value for the customer. These value chain innovations give the unicorns unique competitive advantages. Moreover, these value chain innovations do not exist in singularity. There are invariably multiple innovations in the value chain, thereby doubling the competitive advantage to the unicorn, and, thereby doubling the delivery of customer value.

These value chain innovations are necessary, yet insufficient to convert these enterprises into unicorns. These value chain innovations are invariably synergized with innovations in customer management which enhance customer access and experience. Therefore, what is the link of innovation to unicorns, the question that we started out with in the beginning of this article? On analysing three cases of unicorns, we find that there is a strong positive correlation between the presence of innovation in their business model and their emergence as unicorns. The business model innovation consists of at least two major innovations in the value chain and one major innovation in customer management. 

About the Author

Sanjiv Narang is an author and corporate trainer in the area of Innovation. He is the author of the book, "Innovation, Why, What And How." He has conducted innovation workshops and interventions for over 100 companies in public, private and government sectors. He is an AIMA Certified Trainer (ACT). He can be contacted on sanjiv@innovativetraining4u.com.

“... there is a strong positive correlation between the presence of innovation in their business model and their emergence as unicorns. The business model innovation consists of at least two major innovations in the value chain and one major innovation in customer management.”