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CarWale in top gear

Learn how to build a scalable, sustainable and sellable business from the CarWale model

By Harsh Pamnani | 2 November 2012

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Driving dreams: Mohit Dubey

Many entrepreneurs dream of building a scalable and sustainable business. Sometimes they require funding from venture capitalists or angel investors, but only a few entrepreneurs are able to raise this. As businesses evolve, entrepreneurs face numerous dilemmas and have tough decisions to make. Eventually, very few entrepreneurs are able to provide exit options to their investors. Let's try to imbibe key lessons from Mohit Dubey's (Founder & CEO, CarWale.com) journey and try to understand how he built a scalable, sustainable and saleable business.

Today, CarWale is South Asia's

leading car portal and acknowledged as the market leader in its space. It has influenced approximately \$3 billion-worth car transactions in India and has won many prestigious awards including the Red Herring Asia Top 100, BusinessWeek's Top 25 young entrepreneurs in Asia and PCWorld Web Award for best automotive website.

Dubey successfully raised venture capital from Seedfund in 2006 and Sierra Ventures in 2008. In 2010, he sold a 52.1 percent stake to Axel Springer and 18.3 percent to its local JV partner, the India Today group. CarWale has turned out to be one of the few successful exits in the Indian internet industry. Axel Springer is the largest publishing house in Europe and controls the largest share of the German market for daily newspapers. The €2.6 billion (\$3.61 billion) major is active in 36 countries with more than 230 newspapers and magazines, has more than 80 online offerings as well as holdings in television and radio stations. Let's look at some of the key aspects derived from the entrepreneurial journey of Mohit Dubey.

1. Focus

The key to Dubey's success is focus and clarity of thought. He believes that if one focuses on doing one thing well at a time and hire specialists in that area, the quality of work will improve. Before it assumed its present avatar, the CarWale team was doing multiple things such as developing software for banks, auto dealers,

Do you think the mandatory CSR spending by corporate India will be good for the social enterprise sector?

- Yes, it will encourage India Inc. to collaborate with social entrepreneurs
- No, it will make social enterprises redundant, as businesses set up foundations
- Can't Say

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educational institutes etc. Not having met much success, it decided to enter a specific domain, that of automobiles. Within the automobile segment there were many sub-segments to choose from, but Dubey decided to focus only on cars. A key problem in purchase of cars was pricing. Customers had no way to compare prices or benchmark prices without paying personal visits to various dealers. Here too, various dealers gave different discounts and freebies for the same model to different customers. There was an unmet need for accurate information of car prices and their comparison across various models. In 2006, CarWale introduced India's first Used Car Price Guide, covering prices of all cars sold in India since 1991 for 30 cities. In 2007, it introduced on-road prices covering every new car sold in over 300 cities and towns in India. Most founding entrepreneurs have a common malady of saying yes to each and every business opportunity which comes their way. One of the ways to stay focused and demonstrate one's commitment is to say 'no' to opportunities that are not in the key focus area. Dubey had received various offers to extend his business model to other automobile categories as well.

However, he was steadfast in his resolution to focus on cars. This focused strategy helped CarWale become an expert in the eyes of car buyers and helped it create more products.

2. Avoiding over-reliance on one revenue stream

THE CARWALE BUSINESS MODEL

	ADVERTISING	ASSISTED NEW CAR SALES	USED CAR CLASSIFIED
BUSINESS LINE	Display & leads for OEMs, insurance, finance, accessories, lifestyles & others	Car sales support to OEMs and dealers. 0.5 to 1% of car price. Long-term contracts with Skoda, Chevrolet, Mahindra & Renault	Individuals and dealer list used car for sales for a fee. Product offering established- need to scale
STRATEGY	Scale global: Go deeper in auto clients. Explore Middle East; data and research solutions for industry leadership	Increase lead to 2x & strengthen operations with dealers	Automate listing & payment process, scale across country for offline listing

Note: The above business model existed when CarWale was going through an acquisition process. Now CarWale has one more business line in the online space: digital services.

The CarWale business model

“Don't put your eggs in one basket” is an old saying which still holds relevance in today's business world. In a sustainable business, no one source or customer should make up more than 15 percent of any firm's revenue. While his business stayed focused on helping car buyers, CarWale created business lines to solve different problems of car buyers and created multiple sources of revenue. A few of them are:

- Media sales: Ad space and leads sold to OEMs, insurance providers, car financing institutions, car accessories providers.

- Online lead management to support new car sales for car OEMs and used car classifieds to help individuals and dealers sell their used cars by paying a listing fee.
- Digital services: Offer consultancy and manage digital initiatives for car OEMs that include managing online presence, analytics for consumer behavior, product brochure, application for mobile and tablets to help sales executives, social media initiatives and online reputation.

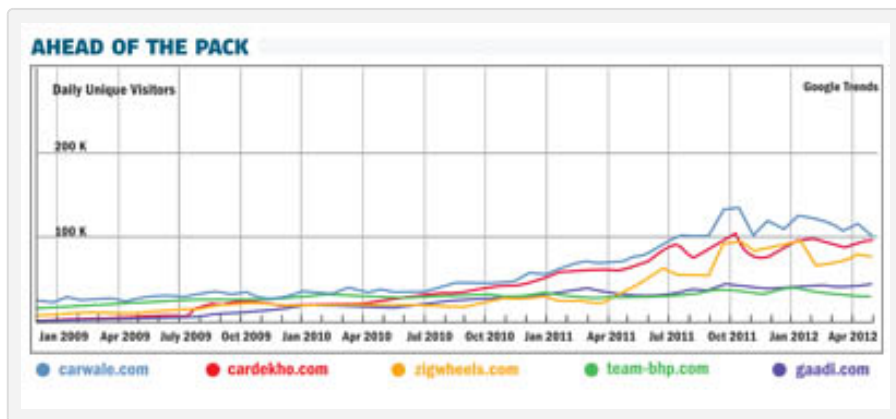
Some manufacturers outsource the entire sales process to CarWale, right from generating the leads on the website, to handholding the prospect through the decision-making and test drive stages, to final booking and delivery. Carwale gets paid either depending on the stage of the lead like test drive, visit to dealership or sale completion. CarWale is still exploring and piloting other initiatives to monetize its access to car buyers and insights it gathers from buyer interaction.

3. Implementing the right processes

Services companies are people-dependent. Processes keep things in control when employees leave, help in training new people and in convincing clients and investors about the sustainability and scalability of the business. CarWale has well-defined processes for all the services it provides. Hence, when a customer engages with CarWale, he gets an experience of buying a product and not a service, as a result of which his loyalty and attachment to CarWale increases. Today, CarWale gets 70 percent of its visitors coming back to site, as they come they explore other services. For example, a used car seller would also use the site for finding a new car or a new car buyer would come back for insurance related information.

4. It's about the team and not just one genius

It is essential that investors as well as customers get the feel that the company is not a one-man show. If buyers are not confident that the business can be run without the entrepreneur in charge, they won't make their best offer. Many Indian startups face this problem of over reliance on their founders. They need to develop a second line of leaders or management team who can continue the business even during the absence of the promoting founder. Ideally, as the company grows, it should have various people heading different functions. At CarWale, the management team consists of nine key members. These members are specialists in their roles and handle different business functions. The top management is closely-knit and is consulted for all strategic issues. When Axel Springer invited CarWale to review its business, Dubey involved his team members to present their respective business areas, demonstrating how each of them was a domain expert and the fact that they could run their business independently. This developed the potential investor's confidence in the top management and both the strategic partner and the team came to know each other better and it was easier to know whether the synergy exists and how it would be to work with each other post deal.



5. Managing cash flows

One of the biggest problems which an entrepreneur needs to look into is the liquidity issue. There is always a tug-of-war between working capital funds and funds for capital expenditures. In order to overcome this problem, entrepreneurs need to ensure continuous flow of funds and, if feasible, charge upfront or use progress billing to create a positive cash flow cycle. Initially as the market was getting built and new clients were being acquired, VC funding acted as a cushion. However, with time the company started having positive cash flows.

6. Setting realistic sales targets

Entrepreneurs should form realistic targets for future sales. They should form a good idea about the market size for the opportunity and a realistic assessment of the share they can capture and convert to customers. Often, an acquiring company has greater resources and is looking for a foothold in the niche market of the acquired company or to strengthen its present team and business model. On the other hand, the acquired company has access to the deeper pockets of the acquirer, its resources, network and infrastructure which it can benefit from. A strategic assessment based on the overall market size, post-acquisition, can be used to estimate the entire opportunity. Dubey had a good idea about the various drivers of automobile purchases and also the percentage of internet usage in car purchases. He also compared auto trends with other markets such as that of Australia and the US and imbibed lessons from the development of auto markets in those countries. Having met with success in India, Dubey presently plans to explore international markets such as Russia, the Middle-East, Indonesia and Brazil, as these places have more than 20 million internet users and a burgeoning middle-class.

In 2010, Carwale.com became India's single-largest source of car sales. CarWale has seen maximum number of visits compared to other major players in the market since its inception.

7. Sacrifice profits for growth

CarWale focused on continuous innovation and growth, but made sure that cash flow remains consistent. It launched many standardized offerings and most of the times profits were getting invested into research and development. In 2005, CarWale.com became the first website in India to consolidate used car inventory across dealers and present it to car buyers as an online marketplace. In 2007, CarWale launched India's most comprehensive resource on car research, along with several tools and features such as Recommend-Me-A-Car, compare cars, owner reviews, and one of their most popular features: on-road prices. Later on, CarWale started a unique model of offering free car consultation to car buyers across India. It started helping buyers with dealer quotations and test drives at their doorstep.

Between 2006 and 2009, substantial growth occurred across key product features: new car research, used car listings and used car price check. Also new offerings such as new car price check brought in additional cash flows. Advertising and classifieds also showed substantial growth.

CarWale has invested heavily in robust back-end systems in order to provide a holistic user experience while meeting client requirements. It has also invested significantly in attracting the right kind of traffic over the last five years, and this strategy is reaping them dividends now.

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