

Student Internship Scheme – 2024
Cluster Innovation Centre

Project Title: Valley of Death Analysis of Indian Platform Startups: Dissecting the Key Failure Factors

Student: Abhishek Bhardwaj, B.Tech.

Mentor: Dr. Sanjeevani Sehgal, Assistant Professor

Abstract:

This paper seeks to identify the critical failure factors contributing to the collapse of Indian platform startups and proposes a multi-dimensional framework grounded in existing research to help the existing startups navigate the challenging "Valley of Death" phase. This exploratory study employs a narrative analysis methodology, examining news articles and reports that discuss the failures and underlying causes of these startups. A sample of 75 Indian platform-based startups, which failed after successfully closing at least a pre-Series A funding round, was selected for analysis. These cases were then mapped against a theoretical framework developed through an extensive literature review on key factors influencing platform startup failures. The findings reveal that several critical factors, including insufficient funding, a weak product-market fit, an unstable business model, and market saturation, are major contributors to the failure of these businesses. These issues often lead startups to shut down prematurely. The theoretical framework proposed in this study acts as a comprehensive guide, offering a structured checklist that platform startups can use to identify and address these potential pitfalls. By following this framework, startups can better navigate the treacherous "Valley of Death" phase, improving their chances of survival and long-term success. Platform startups are companies that develop and manage digital platforms, serving as intermediaries that facilitate transactions, services, or interactions between different user groups. As of August 2024, more than 90 out of the 114 Indian unicorns are platform-based startups, highlighting their significant role in the country's entrepreneurial landscape. However, despite their potential, a substantial number of these platform startups fail due to a combination of challenges inherent to the platform business model and the specific nuances of the Indian market. Existing studies predominantly focus on the startup industry at large, often overlooking the distinct strategies and dynamics of platform-based businesses. To the best of the author's knowledge, this study is the first to specifically examine the failures of platform startups through a narrative analysis of reported news data. By identifying key failure factors, this research aims to contribute to the development of more resilient and profitable entrepreneurial ventures, ultimately reducing the frequency of failures within the startup and small business ecosystem.