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SUNDAY TIMES BUSINESS BY BRENDAN PEACOCK, 2016-09-11

Just a click away: local jobs app to go global



Alibaba is one of the world's most successful Internet companies.
 Image: Nigel Treblin/Getty Images Getty Images

inside a house in Saxonwold, Johannesburg, a team of software

I engineers and developers is preparing an app intended to bring together service providers and those who need work done in a future scenario where corporate jobs are no longer the norm.

The Kalido app is being readied in South Africa for download and use around the world in English-speaking countries, and is the "big, scary dream" of Sanjay Varma and two co-founders who have traversed the globe in their first capital-raising process and are 90% on the way to reaching \$5-million (about R70-million) in seed capital.

Varma is well versed in internet start-ups and what it takes to hit the big time.

Growing up in Hong Kong and working in his father's trading business, Varma said he attended the island's first internet conference in 1999, where he ran into budding internet entrepreneur Jack Ma.

Ma is now China's richest man. His 7.8% stake in Alibaba, China's most successful e-commerce retail operation which operates brands such as Taobao, Tmall and Alibaba.com, is now worth tens of billions of dollars.



Success of Tencent cash cow poses unbundling quandary for Naspers

Alibaba has a market capitalisation of some R3.8-trillion, marginally ahead of rival Chinese internet service giant Tencent, at R3.7-trillion, of which South Africa's Naspers owns just more than a third.

Working with Ma's small team in the Chinese version of Silicon Valley, Hangzhou, Varma was one of the first on board with the fledgling e-retailer.

Varma obtained an MBA from Columbia University in New York before working at McKinsey & Company in the early '90s. "By the middle of the '90s I saw how the goods-trading industry as we knew it would change.

The industry had capitalised on the ignorance of the buyer when it came to the cost at which the retailer was buying goods - buying low, selling high. That was going to disappear," said Varma.

"Ma knew exactly what he was trying to do. That was my entry into technology. There is tremendous opportunity in China ... but look at the way eBay bought into a local player and failed to adapt the business model. Within two years, Ma had put together a model tailored purely to the Chinese market and had 90% market share."

Varma absorbed lessons about understanding the local consumer and the need to avoid

growing too quickly.

As an illustration that internet operation was "not an easy game to win", he pointed to another failure to spend appropriately on local infrastructure and brand development - this time \$70-billion company Uber - in capturing the Chinese market .

Kalido's co-founders chose South Africa as an operations base because "this place is pretty talented", he said.

"We looked at India, Silicon Valley, Australia, Hong Kong. We needed top-notch engineers who understood what we were trying to do and felt the need for the project. We found that here."

Varma said that given that he expected the gap between the world's haves and have-nots for company life cycles to become shorter, and for workers to move to freelance fields with multiple sets of skills they could monetise, South Africa was an appropriate country in which to make a difference with an app that set out to grease the wheels of the freelance economy.

“ The idea is to give them many more. Why can't there be a South African internet unicorn? That would be awesome to do

The app matches service providers with companies or individuals who require services. Matches and activity can be tracked at the software's back end, but Varma said the beauty of his current capital backers was that they did not expect instant monetisation that would "corrupt" Kalido's value proposition.

According to Varma, this was the main problem with Silicon Valley start-ups, which sought backing from venture capital that was almost always driven by the search for returns on invested capital. That, he said, was likely to lead entrepreneurs astray.

Varma said he believed implicitly that Kalido's value proposition would come to the fore, eliminating trade shows and similar networking events where the app could more easily and more accurately refine searches for those who had skills, or needed services.

This belief came from his experience as an entrepreneur and needing services himself, with providers sometimes difficult to source or afford.

"Now you can be matched automatically and whether you transact offline or online is irrelevant."

Kalido was a long-term business idea, he said. Using Facebook as an example, monetisation could take place at any stage, and had to be in place to repay funders at some point, although he hadn't yet decided how to quantify the value of the service.

But for now, the focus had to be on the value proposition. From there, Varma said, there was no reason that Kalido couldn't be an example of an African internet unicorn.

He was also not focused on a winner-takes-all strategy of the biggest scale, which was necessary in social media or internet retail. For that type of business model, even Google's

founders were concerned about the next garage start-up that would need to be bought out as a defence mechanism.

"When your platforms are competing head to head, like Alibaba and Tencent, you have to focus on the core business. How do you stay nimble with 35,000 employees? But you look at the value they have created. On November 11, Alibaba had a single-day turnover of \$14.5-billion. Leaders of companies such as Walmart must be scratching their heads about what to do."

The six biggest internet companies were evenly divided between the US, with three, and China, with three, Varma said.



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challenge and I think Kalido will do very well here if people find even one customer. The idea is to give them many more. Why can't there be a South African internet unicorn? That would be awesome to do."

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