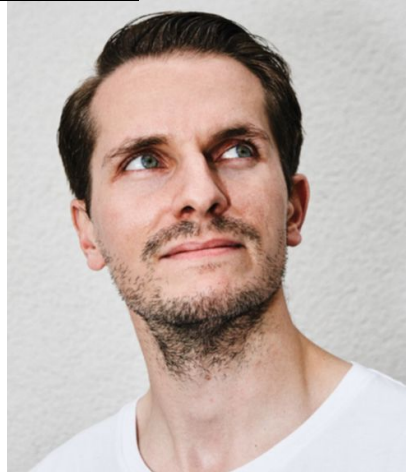




Tech Open Air founder Niko Woischnik and Factory co-founder Lukas Kampfmann



◀ startups cheap loans through a state-owned bank. The Federal Ministry of Finance says it's setting aside an additional €10 billion for startup subsidies. "The federal government has a great interest in promoting venture capital and startup companies," Finance Ministry spokeswoman Friederike von Tiesenhausen told reporters in Berlin on 25 July. Mathias Döpfner, the chief executive officer of German media conglomerate **Axel Springer**, says Berlin is the region's best shot at developing tech companies that can better compete on a global level.

The big tech companies of America and China dwarf those in the Factory and elsewhere in Berlin. And even though local investment is growing, the field of homegrown investors and successful entrepreneurs remains small; it's only recently that many Germans have considered starting

a software or hardware company a viable alternative to a paying gig at an established business.

The city is also just starting to figure out how to reinforce and pump up its nascent startup community, says Jonas Drüppel, founder of **Dubsmash**, which makes an app for sharing lip-syncing music clips. "The talent pool here is great, but it's very small," he says, adding that he's among the Berlin startups considering a move to the US for better access to talent and funding. Even Berlin's biggest recent tech success hasn't worked out well: **Rocket Internet**, the startup incubator, has lost half its value since going public in 2014.

For Berlin's tech industry to thrive in the long term, investors say, successful companies need to stick around long enough to go public or sell themselves—and produce a crop of rich alumni likely to start ventures or fund others. "You need people who have had success who are then reinvesting their time, their experience, and their money into the ecosystem," says Albert Wenger, a partner at New York's Union Square Ventures, which backed Twitter and SoundCloud. "Berlin is beginning to go through that cycle."

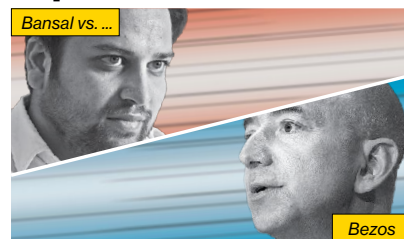
For now, Berlin has at least got the tone right. A few days after the UK voted to leave the European Union, a German political party paid for a truck to drive through London with a billboard advising startups to "Keep calm and move to Berlin." In mid-July a former East German radio propaganda station played host to the city's fifth annual Tech Open Air conference. (Think South by Southwest with slightly more hefeweizen.) There, a blues band played as attendees with €400 tickets drank and mingled near a treehouse sponsored by travel website Kayak.

Along with talks on AI and VR and sessions training startup founders how to pitch were workshops with names like "The Art of Hugging." Two aspiring entrepreneurs wore T-shirts soliciting investors for an app that sends daily bedroom ideas to couples. It could be an episode of HBO's *Silicon Valley*. Except for the death strip, a reminder that Berlin wasn't always so hip and goofy. —Adam Satariano and Stefan Nicola

The bottom line Berlin is home to 2,500 tech startups, many with a Silicon Valley flair. The next step is for one to build a Valley-beating product.

E-Commerce

Amazon Gains on Flipkart in India



▶ **The local leader is struggling to match Bezos's billions**

▶ **"Now I suspect it might be a bit too late"**

India isn't an easy place to build an e-commerce company. The vast, multi-lingual nation suffers from creaky infrastructure, a sometimes myopic bureaucracy, and an ingrained distrust of the merchant class. Yet homegrown **Flipkart** managed the impossible, introducing online shopping to the Indian masses and becoming the country's most valuable startup.

But no one is celebrating at its headquarters in suburban Bangalore. More like preparing for war. After years of scorching growth, Flipkart's sales have plateaued. An attempt to shift its fashion unit from the website to an app backfired. Key executives have quit. Earlier this year, a Morgan Stanley fund that had an \$80 million stake in Flipkart marked down the company's value to \$11 billion from \$15 billion. And **Amazon.com**, already closing the gap with Flipkart with a \$2 billion investment in India, says it will put an additional \$3 billion into its operation there.

If any of this fazes Flipkart Chief Executive Officer Binny Bansal, 33, he isn't letting on. During an interview in Flipkart's Steve Jobs conference room, under a large photo of the late Apple founder, Bansal says Flipkart has been fighting rivals, local and global, since its 2007 founding. He pledges to double revenue and become profitable in the next 24 months. As for Amazon saying it'll drop another \$3 billion in India, "Does saying make it a fact?" he asks.

Bansal took the job about six months ago, when co-founder Sachin Bansal

(34, no relation) stepped aside to become chairman and focus on long-term strategy. Binny Bansal is seen as the operations guy with the common touch, someone who can get Flipkart running at maximum efficiency.

Since taking the helm, he's introduced 7 a.m. deliveries that he says reach customers in Mumbai and 43 other cities reliably, and plans to up that total. To reduce returns on smartphones, Flipkart's best-selling category, he hired technicians who help customers set up the devices. To smooth warehouse sorting, he's invested in robots. To work around India's paucity of credit cards, he bought a startup that lets users link bank accounts to their phones without sharing their most sensitive information.

Bansal is the best man for the job, says Subrata Mitra, who sits on Flipkart's board and leads the India office of Accel, its third-largest investor. "The changes are starting to yield results," he says. "Flipkart will be back in aggressive-growth mode soon."

Punit Soni, a former Google executive, quit as Flipkart's chief product officer in April, just a year after signing on. "The battle in Indian e-commerce has always been Flipkart's to lose," he says. "Now I suspect it might be a bit too late."

Amazon has pushed prices steadily lower since last year, and Flipkart and local rival **Snappdeal** have begun to feel the pressure. A continuing price war has moved lots of product but failed to buy customer loyalty. In fiscal 2015, according to Kotak Institutional Equities Research, 22 e-commerce businesses ran up more than \$1.2 billion in red ink—and Flipkart led the way. This February, Indian newspaper *Mint* reported that Chinese e-commerce giant **Alibaba** was mulling an investment in the Indian company but balked when it refused to accept a lower valuation. CEO Bansal confirmed he's looking for fresh capital but declined to discuss the Alibaba situation. "We are fortunate to be in that position where we can raise money when it is available on our terms," he says.

Flipkart isn't ideally positioned to mount a counterattack against Amazon. In June the Seattle giant cut the commissions it charges third-party merchants in India by as many as 7 percentage points in some categories, a few days

after Flipkart raised its own commissions by 5 to 6 points. Meanwhile, Amazon is adding warehouses in India and outpacing Flipkart in monthly visitors (180 million to 120 million, according to Kotak) and merchants selling through its marketplace (100,000 to 90,000). "Amazon's consistent performance over the last year and our stellar first quarter indicate that the tide is turning," Amazon's India chief, Amit Agarwal, wrote in an e-mail.

The next conquest is the hinterland, where delivering goods to customers' homes is especially challenging. Flipkart and its rivals will need to penetrate deeper into hundreds of smaller cities, as well as more than 650,000 villages that don't have running water, let alone broadband internet connections. Flipkart is pushing brands such as Samsung and Motorola to supply cheaper TVs and phones, available only online. Jeff Bezos has demonstrated a willingness over the years to keep pouring in money until a battle is won, but local knowledge could give Flipkart a greater advantage in the boonies. And things won't be decided tomorrow, Bansal says, comparing e-commerce to cricket: "It is still the first day of the first test match in a five-test series."

—Saritha Rai

The bottom line Flipkart, a pioneer in Indian e-commerce, is having trouble maintaining its sales growth and fending off Amazon.

Software

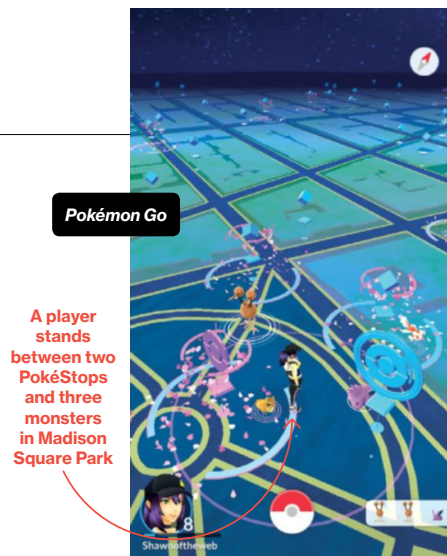
The Mapping Expert Behind *Pokémon Go*

► Today's mobile addiction comes from an ambitious Google spinoff

► "Maybe you want to build a real-world vampire game"

Over the past few weeks, the smartphone game *Pokémon Go* has more than doubled **Nintendo's** share price and reintroduced the **Pokémon Co.'s** digital monsters to the mainstream. The game's developer, which released it in partnership with those companies, is a relative unknown.

Niantic, a San Francisco startup with fewer than 100 employees,



In *Pokémon Go*, players must physically travel to landmarks, called PokéStops, to collect items and capture creatures

developed *Pokémon Go* and the mapping technology that allows the game to layer digital creatures over real-world environs. Mapping has long been a specialty for Chief Executive Officer John Hanke, who helped lay the groundwork for Google Earth with his previous company, which the search giant acquired in 2004. Hanke, a lifelong gamer, made game-world mapping of the real world his focus when he launched Niantic as a startup within **Google** six years ago. Niantic spun off on its own last year, though Google remains an investor, alongside Nintendo and the Pokémon Co.

"It's great to be an armchair traveler with Google Earth, but my mind turned to how you could transfer that experience to mobile to make it easier to discover new places," Hanke says. By using the locational tracking built into players' phones to encourage them to congregate in certain places to look for Pokémon, Niantic is prying gamers off their couches. "Our intent," he says, "was that people would become aware of their surroundings, accidentally."

Niantic's first game, *Ingress*, released in 2012, used similar mapping mechanics with more sci-fi flavour. Players would pick one of two teams that met up at real-world landmarks to capture or defend them, like a building-centric version of Capture the Flag. The free game has been a modest hit, with 1 million active users.

Pokémon Go's success is on another level. It's been one of the most popular downloads on iOS and Android since its release, and by some analysts' estimates it has been downloaded more ►