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# PLATFORMS THAT SCALE



KNOCKOUT CAPITAL

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IaaS (infrastructure-as-a-service) and PaaS (platform-as-a-service) offerings in general reduce the barriers to entry and allow ecosystems to develop. The example I find most compelling is with respect to AWS and the proliferation of web and mobile apps thereafter.

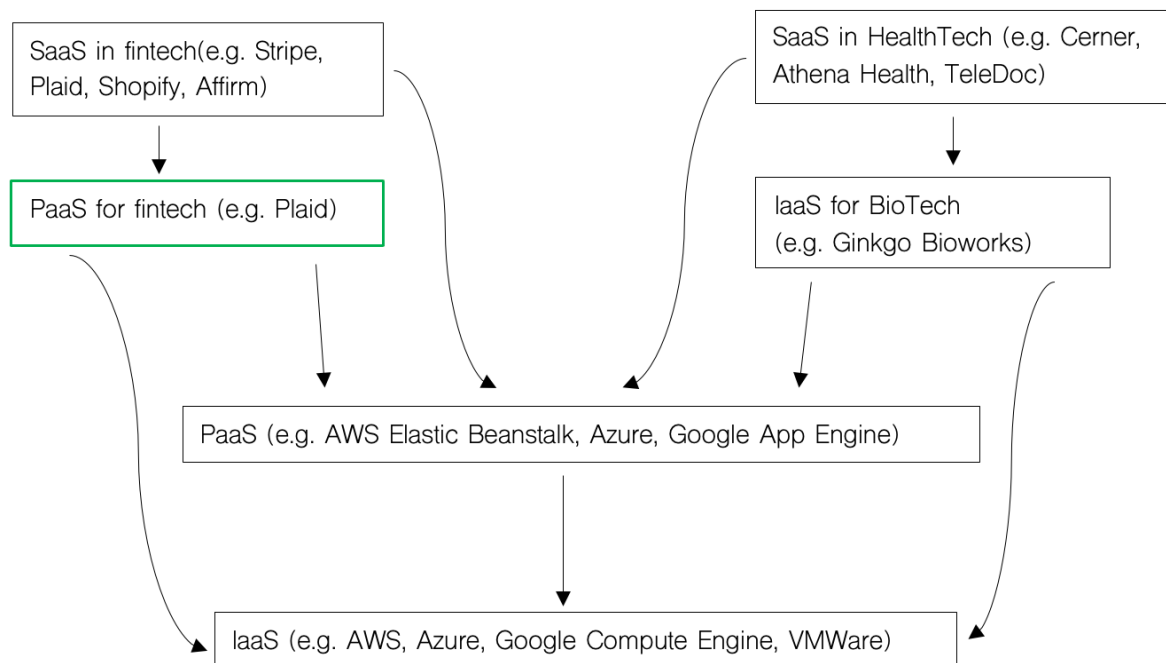
Prior to Amazon's Elastic Cloud Compute (EC2), developing web-based applications required large amounts of capital to cover the costs to set up the infrastructure required for such a product (e.g. servers). EC2 was an early infrastructure-as-a-system (IaaS) that made it possible for the web-developers and later, mobile developers, to ship out low friction applications.

Later, Amazon expanded their offerings to PaaS, which can be thought of as a layer on top of the infrastructure that make it easier to accomplish specific tasks using pre-set tools and modules (e.g. AWS Elastic Beanstalk).

Amazon's (and later Microsoft and Google) scaffolding made it possible for the web ecosystem to scale without having growth bottleneck due to capital constraints. This was made possible by the pay as you go model for many of the cloud service providers.

I see a similar sort of disruption happening in Finance and Health. With respect to finance, the steep on-ramp was again the capital constraints require to do banking, the trust issues with connecting and transferring funds, and so on. With the advent of the modern fintech stack, however, any business can easily start selling their goods and services online, and developers can easily have their applications speak with users' bank accounts while mitigating security risk. I think the fintech SaaS space is crowded, but a modular underlying platform space for fintech, is not.

The white-space is in *this* PaaS for fintech offerings. For those who want high-performance, high-security or just want to outcompete their peers who are using off-the-shelf-SaaS, a PaaS fintech offering is in the goldilocks zone. The box highlighted in green is where I think there is great scope for innovation. PaaS for fintech that addresses pain points in the system that SaaS products are under-equipped to solve, I believe, is overlooked & undervalued.



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Please reach out if your start-up meets more than 3 of the following criteria

1. Your product is in fintech and it is innovating on top of the existing stack (e.g. on top of Plaid, Stripe and Shopify).
2. Your early-users' experience is positively correlated with increased adoption \*.
3. You are solving a problem that *causes* other problems; you can tug at the string and unravel the knot, so to speak.
4. The TAM is large enough such that your customers will hire people based on their ability to use your software/platform.
5. You are pre-profitability, and perhaps even pre-revenue. You are beyond the exploratory stage, but have not yet achieved PMF.

\*If we think about this from the perspective of bonds, for example, as more people adopt the bond (i.e. buy in) the yields go down. On the other hand, in a network, the initial value of joining the network is low, and then increases with respect to the rate of adoption, i.e. the rate at which other people are joining the network