

India Rising: Grabbing The Tiger By The Tail

With Worldwide IT spending and US IT spending growth predicted to slow in 2008 to between 5.5-6% and 3-4% (*) respectively, IT companies are searching for markets in which to focus their growth efforts. While China has been the traditional focus within Asia, India has been capturing increased attention. This article examines the best practices adopted by global IT companies in capitalising on opportunities offered in India.

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Look Beyond The “Flat World” Paradigm

The Indian IT services story has been well understood and tested by the Fortune 500 companies. What started as offshore “Y2K” projects has grown to complex software development and customer service projects for worldwide customers.

With a population of over 1.2 Billion and 250 Million middle class consumers, the domestic economy is itself reaching a significant scale. We have seen this in the mobile phone market where penetration is rapidly approaching 200 Million customers.

The Indian IT market has grown by 23% (*) in 2007 and expected to grow a further 18% (*) in 2008. India is one of the most attractive growth opportunities for the IT companies worldwide.

Expanding Coverage to 2nd & 3rd Tier Cities

IT companies are adopting innovative channel models to reach the 250 Million consumers and the 1.5 Million small & medium business customers. HP has adopted a unique “franchising” model to establish presence in 350+ cities with over 2500+ HP branded outlets.

Microsoft has implemented a 3-tier distribution model with national and regional distributors to service its 100,000+ resellers. This has given them the flexibility to create sales and marketing campaigns to address unique local markets. The strategy has paid off for Microsoft, with its India business doubling in less than 18 months to over \$400M.

Develop a Captive Sales Channel

Oracle has achieved a position of dominance in the Indian market by working with solution partners to develop applications on their technology platform. Some of their solution partners such as “Iflex” have since gone global and Oracle has even acquired a stake in the company.

Microsoft has a program to pay people within their channel partners to promote their new products. Microsoft even help to recruit graduates from colleges on behalf of their partners. Companies such as HP and Microsoft have expanded their reach into the marketplace by implementing an “agent” program that pays commission to individuals and companies for bring business opportunities to their partners.

High-Tech Manufacturing In India

It started with “sub-\$50” mobile phone handsets being manufactured in India for the domestic market. HP as part of the “Designed and Manufactured in Asia for Asia” program have set up an advanced manufacturing capacity for servicing their domestic customers. While India may not attract the capital intensive manufacturing capabilities such as semi-conductor fabrication plants, it is clear that a lot more high-tech manufacturing will be done in India in the future.

Innovation Centre for Emerging countries

Companies such as HP, SAP and IBM have long harnessed the world class engineering talent within their R&D Labs in India. More recently, CISCO has set up new business units based in India to address opportunities across emerging markets worldwide. The theory being a team based in India is in a better position to design relevant solutions for markets with similar infrastructure challenges.

Greater Management Exposure

It started as a trickle of executives with Asia Pacific and worldwide responsibilities being based in India. This has now turned into major emerging trend. Cisco has recently opened their “Globalisation Centre–East” in India and plans to have 20% of worldwide management team there. This centre has been seeded with an Executive Vice President to kick-start the program. The likes of Nokia-Siemens have their worldwide head of services based in India.

Traditionally, India sales operations have a reporting line to Asia South management. Recently IBM and HP have elevated the reporting lines directly to their Asia Pacific group. Microsoft has their India operations reporting to “International Group” alongside much larger revenue producing countries such as Japan, UK and France.

As the US economy falls into recession, the big Asian markets are unaffected. Many US companies may be pulling back on their growth plans. In the US, this might make sense, but hesitating in Asia will mean that someone else eats your lunch.

(*) Source: IDC 2007

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